

## NOMINATIONS

*Executive nominations received by the Senate March 30 (legislative day of March 23), 1932*

## SECRETARIES IN THE DIPLOMATIC SERVICE

The following-named persons, now Foreign Service officers of class 8 and consuls, to be also secretaries in the Diplomatic Service of the United States of America:

John McArdle, of Pennsylvania.

Gordon P. Merriam, of Massachusetts.

## HOUSE OF REPRESENTATIVES

WEDNESDAY, MARCH 30, 1932

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

We thank Thee, our Father and our God, that the way to the altar of prayer is plain. Here may we be borne into the presence of conscious wisdom, goodness, and power. We are here, Blessed Lord, with our yearnings, longings, and needs. Send us forth with a sense of Thy guidance. And with the remembrance that Thou art our Heavenly Father upon earth, so refresh us that we may wear the colors of the morning and not the shades of the evening. Cleanse us from selfish pride, passion, and evil inclinations. O God, bring Thy infinite, holy self to bear upon our entire country. Take our whole realm into Thy grasp. Enlighten the ignorant, transform the unpatriotic, and lift up the fallen. Punish those who deny the sanctity of the fireside and disregard the social order. Set free joyous tidings until they sound and resound everywhere and the bow of promise radiating above every hearthstone. Through Jesus Christ our Lord. Amen.

The Journal of the proceedings of yesterday was read and approved.

## MESSAGES FROM THE PRESIDENT

Sundry messages in writing from the President of the United States were communicated to the House by Mr. Latta, one of his secretaries, who also informed the House that on the following dates the President approved and signed joint resolutions and bills of the House of the following titles:

On March 15, 1932:

H. J. Res. 152. Joint resolution to authorize the Interstate Commerce Commission to make an investigation as to the possibility of establishing a 6-hour day for railway employees.

On March 16, 1932:

H. R. 375. An act amending the public building act approved March 4, 1931, authorizing acquisition of building sites and construction of public buildings at Hibbing, Minn., and other places;

H. R. 3703. An act granting compensation to Harriet M. MacDonald; and

H. R. 7899. An act to authorize the Secretary of the Treasury to negotiate and to enter into an agreement regarding the south boundary of the post-office site at Plattsburg, N. Y.

On March 17, 1932:

H. R. 361. An act to provide for the extension of improvements on the west side of Georgia Avenue, north of Princeton Place, in the District of Columbia, and for other purposes; and

H. R. 8235. An act to clarify the application of the contract labor provisions of the immigration laws to instrumental musicians.

On March 18, 1932:

H. J. Res. 182. Joint resolution authorizing an appropriation to defray the expenses of participation by the United States Government in the Second Polar Year Program, August 1, 1932, to August 31, 1933; and

H. R. 5866. An act to authorize the construction of a dam across the Des Lacs Lake, N. Dak.

On March 19, 1932:

H. R. 6485. An act to revise the boundary of the Mount McKinley National Park, in the Territory of Alaska, and for other purposes; and

H. R. 6739. An act to amend the authorization contained in the act of Congress approved March 4, 1929, for the acquisition of a site and construction of building in Jackson, Miss.

On March 23, 1932:

H. R. 5315. An act to amend the Judicial Code and to define and limit the jurisdiction of courts sitting in equity, and for other purposes.

## MESSAGE FROM THE SENATE

A message from the Senate by Mr. Craven, its principal clerk, announced that the Senate had agreed to the amendments of the House to a bill of the Senate of the following title:

S. 3706. An act for the temporary relief of water users on irrigation projects constructed and operated under the reclamation law.

REPRESENTATIVE ELECT FROM THE SEVENTH CONGRESSIONAL DISTRICT OF THE STATE OF MISSISSIPPI

The SPEAKER. The Chair lays before the House the following communication from the Clerk of the House:

MARCH 29, 1932.

HON. JOHN N. GARNER,

*Speaker of the House, House of Representatives,*

*Washington, D. C.*

MY DEAR MR. GARNER: The certificate of election of Hon. L. RUSSELL ELLZEY, in due form of law, as a Representative elect to the Seventy-second Congress from the seventh congressional district of the State of Mississippi to fill the vacancy caused by the death of Hon. Percy E. Quin, is now on file in this office.

Yours very truly,

SOUTH TRIMBLE,

*Clerk of the House of Representatives.*

Mr. COLLINS. Mr. Speaker, Hon. L. RUSSELL ELLZEY, recently elected as a Member of Congress from the seventh congressional district of Mississippi to succeed the late Hon. Percy E. Quin, is present and desires to take the oath of office.

## SWEARING IN OF A MEMBER

Mr. L. RUSSELL ELLZEY, of the seventh congressional district of the State of Mississippi, appeared in the well of the House and took the oath of office.

## THE REVENUE BILL

Mr. CRISP. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 10236) to provide revenue, equalize taxation, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 10236) with Mr. BANKHEAD in the Chair.

The Clerk read the title of the bill.

Mr. CRISP. Mr. Chairman, on yesterday I sent to the desk, and it was adopted, an amendment levying an excise tax of 10 per cent on candy. There was a clerical error. It should have been 5 per cent, and the estimate was based on 5 per cent. I ask unanimous consent that that correction be made.

Mr. MARTIN of Massachusetts. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. MARTIN of Massachusetts. The gentleman did not make any mistake on the jewelry item, did he?

Mr. CRISP. No. This was just a clerical error.

The CHAIRMAN. The gentleman from Georgia asks unanimous consent that the amendment adopted by the committee on yesterday be corrected as indicated by him, reducing the amount to 5 per cent instead of 10 per cent. Is there objection?

There was no objection.

Mr. CRISP. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The gentleman from Georgia offers an amendment, which the Clerk will report.

The Clerk read as follows:

Committee amendment offered by Mr. CRISP: Page 9, strike out lines 18 to 23, both inclusive, and insert in lieu thereof the following: "Upon a net income of \$6,000 there shall be no surtax; upon net incomes in excess of \$6,000 and not in excess of \$10,000, 1 per cent of such excess; \$40 upon net incomes of \$10,000; and upon net incomes in excess of \$10,000 and not in excess of \$14,000, 2 per cent in addition of such excess," and beginning on line 1, on page 10, and down to and including line 16, on page 14, strike out the amount of dollars appearing at the beginning of each paragraph and insert in lieu thereof the amount stricken out increased by 60.

Mr. CRISP. Mr. Chairman, the sole effect of this amendment is to reduce the surtax from \$10,000 to \$6,000. In the bill as originally reported the surtax started at \$10,000. This reduces it to \$6,000, and by reducing it to \$6,000 it adds \$7,000,000 more revenue. The other part of the amendment just changes the figures in the other part of the bill to make them conform to the reduction of the rates where the surtax commences, from \$10,000 to \$6,000.

Mr. LAGUARDIA. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. LAGUARDIA. It does not disturb the normal tax as at present in the bill?

Mr. CRISP. No. It just makes the surtax rate commence at \$6,000 instead of \$10,000.

Mr. LAGUARDIA. This, of course, is on the smaller earnings, so that in this instance at least the whine can not be made that we are "soaking the rich."

Mr. CRISP. Let us forget all of those things, all work together, and try to get this bill through this week. [Applause.]

Mr. SCHAFER. Mr. Chairman, I move to strike out the last word, and I would particularly like to have the attention of the gentleman from Georgia, the chairman of the Ways and Means Committee. I am trying to be helpful to the gentleman from Georgia to-day, and to the members of his committee, in showing them how they can obtain about \$150,000,000 revenue each year by a tax on luxuries.

The gentleman from Georgia and his committee supported a 30 per cent sales tax on malt used in the homes for making malted milk for children and invalids, on malt used by the housewife and baking institutions in making hundreds of different kinds of food products, on malt used in the manufacture of breakfast foods and by the drug and textile industries, on malt used by the workingman to manufacture a good wholesome beverage in his home. This malt is made in American factories from grain produced on American farms.

Under the malt and brewers' wort provisions of the bill we are told that about \$50,000,000 would be raised annually. If \$50,000,000 annually were to be raised on the tax on wort, which is only used to make potent beer in gangster wildcat alley breweries, under the wort provisions of the bill it must be admitted that with the tax of 5 cents per gallon there would have to be produced and taxed 1,000,000,000 gallons annually, or 4,000,000,000 quarts annually, or 8,000,000,000 pints annually.

Now, the gentleman from Georgia [Mr. CRISP] did not have to go away from his own State to obtain revenue by taxing luxuries. Is it fair to tax malt made from the products of the farms of the American farmers, much of which is consumed by the American housewife in baking, much of which is used in the preparation of malted milk in the homes for babies and invalids, and then ignore Coca-Cola as a source of revenue? I sincerely hope that in the interest of justice and in the interest of balancing the Budget the gentleman from Georgia will offer an amendment taxing coca-cola sirup to the equivalent of 30 per cent, the same as he proposes to tax malt sirups.

We know that Coca-Cola sirups are not made from the products of the American farmers. Can the gentleman from Georgia be consistent in opposing a 30 per cent tax on Coca-Cola sirups manufactured in the State of Georgia

from basic ingredients most of which are produced in foreign lands with peon labor—a sirup which contains a drug derivative, as a Senate hearing clearly showed? I will admit that even before prohibition many of our respectable citizens who now oppose 2.75 nonintoxicating beer could go to a soda fountain and purchase a glass of beverage, one-half charged water and one-half Coca-Cola sirup made in Georgia, and drop a few aspirin tablets into it. Drink several of these combinations and you will feel more stimulated and elated than if you would drink several glasses of 2.75 beer.

If the gentleman is sincere, and if he wants to place a tax upon luxuries to balance the Budget, he should offer an amendment to put the same tax on Coca-Cola sirups as he put on malt sirups, particularly because Coca-Cola sirups are a luxury while malt sirups are a necessity. I venture to say that such a tax would raise about \$150,000,000 annually from the product of his State.

Mr. BLANTON. Will the gentleman yield?

Mr. SCHAFER. Yes.

Mr. BLANTON. I want to say to the gentleman that he is becoming such an expert on temperance and such a reform lecturer that I want to recommend him to the Anti-Saloon League.

Mr. SCHAFER. I would suggest that the gentleman read the Volstead Act, and if he can square his position in favor of a tax on brewery wort, which makes 9 per cent potent beer, in Capone wildcat alley breweries, with his so-called dry pronouncements, then I would be inclined to seriously take the gentleman's suggestion. Until the time comes when the gentleman is consistent, I shall not look to him for advice on temperance or any other matter.

Mr. BLANTON. At least, I am regular and I am following my committee to balance the Budget.

Mr. UNDERHILL. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I take the floor for the purpose of propounding a question or two to the chairman of the Committee on Ways and Means in anticipation of another amendment which will later be offered. It may possibly save some time to have the discussion which I hope to invoke in this instance.

I am much disturbed about the increase in postal rates from 2 to 3 cents on first-class mail.

I am wondering if the committee would take into consideration or has taken into consideration a flat increase of 25 per cent on all mail. Before the gentleman answers I would like to observe that the 2-cent mail now pays a profit of anywhere from 300 to 700 per cent to the Government. All other classes of mail are carried at a loss. If we have a flat increase, this would partially decrease the deficit of \$94,000,000 which is now caused by carrying second-class mail at a loss. It would decrease the deficit caused by carrying parcel post at a loss. It would decrease the deficit caused by other nonpaying mail, and I am wondering if this would not be a better solution of the problem than to increase a profitable function of the Government but rather to put the burden where it belongs—on the nonprofitable mail.

Mr. CRISP. I will say to the gentleman from Massachusetts the committee did consider that suggestion. Assistant Postmaster Tilton said it was impracticable and could not be worked out.

The committee regrets the necessity of having to recommend an increase in postal rates, but the committee had to recommend something that was certain to raise the revenue to balance the Budget. I hope we will not get into a discussion of this post-office proposition until the amendment comes up.

Mr. UNDERHILL. If the gentleman will bear with me for just a moment, my purpose is to expedite business when the amendment comes up, because I want to go along with the committee, no matter what my personal desires or feelings may be.

Now, there is another item which the committee has not touched, and that is the \$8,000,000 plus deficit which is

caused by franking newspapers, weekly or daily—I do not know just what they are—that are delivered free by the Government in certain counties and in certain sections. Why should the Government deliver this class of mail free of cost when most of these publications are criticizing Congress for an expenditure of something like \$550,000 for the franking privilege of addressing our constituents in reply to their requests and inquiries?

Mr. CRISP. My answer to that is that under the rules of the House legislation is divided among different committees, and the Ways and Means Committee clearly has no jurisdiction to pass laws dealing with the Postal Service generally. We doubted having authority to even deal with increases on first-class mail, although this was done during the war; and before we brought in this recommendation we consulted with the Post Office Committee as to this one item. Also this is an emergency. The Government is in need of the money, and I think the amendment we shall offer will provide that it shall expire by operation of law on June 30, 1934, showing clearly that this is done as an emergency.

Mr. UNDERHILL. I simply want to say that I have no criticism of the committee whatever and no quarrel with the committee, but I do take issue with the Post Office Department in its recommendations. There is no business concern in the world to-day that could prevent a deficit such as the post office carries if it used the same methods that they do now, of exercising favoritism in granting certain privileges to newspapers, periodicals, and magazines, simply because they are afraid—that is all there is to it—they have not the guts to make them pay the cost of service. [Applause.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Georgia.

The question was taken, and the amendment was agreed to.

Mr. CRISP. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Page 35, line 20, strike out "\$2,000" and insert in lieu thereof "\$1,000."

In line 22, strike out "\$2,000" and insert in lieu thereof "\$1,000."

Mr. CRISP. Mr. Chairman, under the present law, corporations with an income of less than \$25,000 are given \$3,000 exemption. The bill the committee reported changed the existing law by providing that corporations with an income of less than \$10,000 would be given an exemption of \$2,000 and the \$3,000 exemption be repealed.

This amendment proposes that the exemption in the committee's bill be reduced, so that corporations with a \$10,000 income, instead of having a \$2,000 exemption, will have \$1,000 exemption. This change in the law will yield \$6,000,000 revenue.

The CHAIRMAN. The question is on the amendment.

The amendment was agreed to.

Mr. CRISP. Mr. Chairman, by direction of the Committee on Ways and Means, I offer the following amendment.

The Clerk read as follows:

Page 109.

The CHAIRMAN. May the Chair make this suggestion? Yesterday at the close of the session the Clerk had read down to section 141, page 108. By unanimous consent the following section, to which the gentleman proposes to offer the amendment, was passed over. It would be necessary for the clerk to read that section in order for the gentleman to offer his amendment.

Mr. CRISP. That is true, and the preceding section to which the gentleman from Texas offered an amendment, I asked to be passed over, I stated dealt with the affiliated and consolidated return.

The Clerk read as follows:

(a) Privilege to file consolidated returns: An affiliated group of corporations shall, subject to the provisions of this section, have the privilege of making a consolidated return for the taxable year in lieu of separate returns. The making of a consolidated return shall be upon the condition that all the corporations which have been members of the affiliated group at any time during the taxable year for which the return is made consent to all the regu-

lations under subsection (b) prescribed prior to the making of such return; and the making of a consolidated return shall be considered as such consent. In the case of a corporation which is a member of the affiliated group for a fractional part of the year the consolidated return shall include the income of such corporation for such part of the year as it is a member of the affiliated group.

Mr. CANNON. Mr. Chairman, I desire to offer an amendment, unless the committee desires to modify its amendment.

Mr. CRISP. I have an amendment at the desk dealing with this section (c). I will ask unanimous consent that we may go to that section, where the amendment can now be offered.

Mr. CANNON. Will the gentleman ask unanimous consent that his amendment may be read for information?

Mr. CRISP. Yes. I ask unanimous consent, Mr. Chairman, that the amendment be read for information.

The Clerk read as follows:

Page 109, line 22, strike out the period and the word "only," and insert in lieu thereof a semicolon and the following: "except that there shall be added to the rate of tax prescribed by section 13 (a) a rate of 1½ per cent and only."

Mr. CRISP. Mr. Chairman, I ask unanimous consent to consider paragraph (c) out of order.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

Mr. CANNON. Reserving the right to object, it does not prohibit consolidated returns but simply changes the rate.

Mr. CRISP. If the gentleman will give me a chance, I will explain to the House the amendment, and the House can adopt it or reject it.

Mr. JOHNSON of Washington. Is this amendment being read just now for information or for the purpose of debate?

Mr. CANNON. For information.

Mr. CRISP. To please the gentleman from Missouri [Mr. CANNON], I ask that it be read before we reach that section for the information of the House.

Mr. CANNON. Mr. Chairman, I desire to offer an amendment. I move to strike out the paragraph just read.

The CHAIRMAN. The gentleman from Missouri offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. CANNON: Beginning on line 20, page 108, strike out subsection (a), ending in line 9, on page 109.

Mr. CANNON. Mr. Chairman, I trust the committee will approach this proposition with an open mind. It is a proposal of peculiar merit in that it not only brings into the Treasury an amount which has been estimated by reliable authorities to be as high as \$50,000 but its approval will be attended with other highly desirable advantages. May I say by way of preface that it is an amendment which has been indorsed by the Speaker of this House; it is an amendment which has been indorsed by the majority leader of the House; and it is an amendment which has been indorsed by the present acting chairman of the Committee on Ways and Means. All three of these distinguished Members of the House, with their long experience in matters of tax legislation and with an intimate knowledge of the principles of taxation, heartily indorsed the proposal presented in this amendment when it was under consideration in 1929. And while I am not advised as to the attitude of the gentleman from New York [Mr. SNELL], the leader on the other side of the aisle, I earnestly invite his sympathetic consideration of the amendment.

It involves the increase of millions of dollars in taxes paid by the most highly organized and most profitable corporations in the world to-day.

This amendment not only offers a means of assisting in balancing the Budget by greatly decreasing the exemptions of our largest corporations but it also prevents the Government from becoming a party to unfair competition through which the corporation with many branches destroys competition and eliminates the smaller and independent corporation engaged in the same business. This section of the law gives the chain corporation an unfair advantage over the individual corporation; and it is only American fair play to repeal it and put the smaller corporation and the inde-

pendent corporation on a plane of equal advantage so far as the law is concerned.

The law which this amendment proposes to strike out penalizes David and assists Goliath. It is one of the most effective weapons in the hands of the chain store and other federated corporations and is doing more to drive the independent merchant and the individual corporation out of business than any other law on the statute books to-day.

There are two classes of these corporations. The first class includes corporations with all their branches engaged in the same business, as the chain grocery, the chain drug store, the chain dry-goods or clothing store, the chain newspaper, and similar chain businesses.

The other, and perhaps the more important of the two, are the holding companies and mother corporations whose subsidiaries are engaged in a variety of businesses and activities, as the Standard Oil Co., the United States Steel Co., the Munson Steamship Co., the Pittsburgh Coal Co., practically all the public utilities doing interstate business, and many others with which you are all familiar.

Mr. RANKIN. Mr. Chairman, will the gentleman yield?

Mr. CANNON. I yield to the gentleman.

Mr. RANKIN. And those large enterprises invariably use one of their subsidiaries to crush competition, and then make up its losses by these consolidated returns?

Mr. CANNON. That is one of the many advantages available to these giant corporations under this law.

Mr. JOHNSON of Washington. Mr. Chairman, will the gentleman yield?

Mr. CANNON. I yield to my friend from Washington.

Mr. JOHNSON of Washington. I am satisfied that the entire membership will want to follow the gentleman if he has an amendment here that will prevent the chain stores and similar organizations from escaping taxation. Will the gentleman indicate whether this amendment is offered to subsection (a), or (c), or to the pending amendment of the chairman, the gentleman from Georgia, Mr. CRISP? We do not propose that any branch of any chain store shall escape taxes.

Mr. CANNON. I appreciate the statement of the gentleman from Washington. The amendment proposes to strike out subsection (a) with notice, of course, that if agreed to, I shall then move to strike out the remaining paragraphs of the section.

Mr. BRIGGS. Is it not a fact that you are striking at the proviso of making consolidated returns and in doing so you are striking at the heart of this great loss which runs into millions to the Treasury of the United States every year?

Mr. CANNON. Precisely. By closing up this loophole in the law and compelling the chain corporation to pay the same taxes paid by individual corporations we are not only repealing a law used as a weapon by the trusts against their smaller competitors, but we are bringing into the United States Treasury every year millions of dollars of additional revenue.

Mr. JOHNSON of Washington. I am inclined to think that by paying careful attention to this we will obviate the necessity for the repayment of taxes which always makes a charge against the Treasury.

Mr. CANNON. I was just coming to that. Many of the claims by the great corporations for repayment of taxes are filed under this section of the law.

The CHAIRMAN. The time of the gentleman from Missouri has expired.

Mr. CANNON. Mr. Chairman, I ask unanimous consent to proceed for five minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. CLARKE of New York. Will the gentleman please explain to us step by step how they get out of paying taxes. As I understand it, in all of these subsidiaries, the entire stock is owned by a parent corporation. The parent corporation can not return dividends to its stockholders until the

subsidiary companies in turn have declared their dividends to the stockholding parent corporation. Where are they escaping?

Mr. CANNON. I shall be glad to explain, as my friend from New York [Mr. CLARKE] suggests, step by step, just how this provision in the present law is used to increase the exemptions of the chain corporations and how it is utilized to stamp out competition.

Let us take, for example, the Du Pont Co. It has innumerable subsidiaries rendering various services and producing a variety of commodities. One turns out explosives, another leather, another paint, another chemicals, another cellophane, and so on; all of them tied into the parent corporation. Inasmuch as the same corporation is both the buyer and the seller, both the producer and consumer of these products, it would be merely a matter of bookkeeping to show losses in practically any of the subsidiaries for the year. Under the provisions of the law we are seeking to repeal by this amendment, the central office is allowed to charge off such paper losses against the profits of other subsidiaries, and may reduce the amount of its taxes by enormous sums. Such a corporation as General Motors by taking advantage of this loophole could show such losses in its lumber subsidiaries or its accessories as to increase its exemptions in every return it makes. The great oil companies and the coal companies, into whose exchequers you propose to legislate vast subsidies in the form of tariffs elsewhere in this bill, escape taxation every year through transportation subsidiaries, pipe line and railroad, and many other affiliated corporations to which their bookkeeping departments charge heavy paper losses in order to increase the exemptions of the parent corporation. Practically all the power utilities of the country share these exemptions.

And the chain stores are particularly favored beneficiaries of this pernicious law. Here is the way they take advantage of it. The parent corporation, the mother organization, has branches in perhaps every State of the Union. These individual branches do not make tax returns. Under this law the central organization makes a consolidated return for all the branches, and may work in a long list of exemptions. But the independent store, with which the chain stores are competing, is required to make its own return. It has no way of booking phantom losses to offset its profits. It has no such convenient source from which to draw exemptions. It must pay its taxes in full.

The result is that the chain stores not only escape taxation but they use the law to drive out competition. Whenever a chain store is established in a new location, or when competition becomes troublesome, the chain deliberately lowers prices and runs at a loss until the home store across the street is driven to the wall and either closes or sells out. The loss in this branch of the chain is credited in the tax returns against profits made in other branches and the chain escapes taxation while it crushes the home merchant. Then when competition is eliminated the chain restores prices to a profitable basis and recoups its losses and is prepared to open up a new location or strangle any independent merchant who tries to enter the field.

The law is a favorite device of the utilities. An electric company or telephone branch or transportation company pays little attention to the cost of installing new services. A railroad company can run a bus line at a loss, a street-car company can operate a line of taxicabs, or a power company can preempt a new community at a loss. Through the benevolent provisions of this law they charge these losses against their profits elsewhere and reduce their taxes while destroying competition and monopolizing the market.

Mr. ALDRICH. Will the gentleman yield?

Mr. CANNON. Yes.

Mr. ALDRICH. Will the gentleman say the same thing could not happen if it was one big corporation?

Mr. CANNON. It not only could not happen, it does not happen in the manner permitted by this law.

[Here the gavel fell.]

Mr. RANKIN. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for five additional minutes. The CHAIRMAN. Is there objection?

There was no objection.

Mr. CANNON. Here is another beneficent use the chains make of this convenient law. They use it to freeze out the small stockholders. They find that some particular branch or some particular plant is especially profitable. By increasing the cost of materials, services, and other items of production furnished by affiliated subsidiaries and decreasing the price paid for its product by consuming subsidiaries it begins to show losses instead of profits. Dividends cease. The stock drops. And the small stockholder is forced to sell. Then income is increased while they freeze out the minority stockholders of some other branch. All the while the manipulators on the inside are not only shearing the lambs, but they are doing it at the expense of the Treasury by using these paper losses to exempt them from paying taxes.

Mr. ALDRICH. Will the gentleman yield again?

Mr. CANNON. With pleasure.

Mr. ALDRICH. They can do exactly that same thing under one big corporation. They can take their losses from those little stores on one return just as easily as they can do it in the consolidated return.

Mr. BRIGGS. Will the gentleman yield?

Mr. CANNON. Certainly.

Mr. BRIGGS. Is it not true that they find it more convenient to operate through these smaller subsidiaries, without the responsibilities which attach thereto, so that they are getting all of the cream without having any of the liabilities? Is not that true?

Mr. CANNON. The gentleman is eminently correct. The law permits a practice by which the Government not only loses the taxes but is put in the position of deliberately conniving with the trusts to drive out competition. It is deliberately arming the branch stores against their competitors.

Mr. ALDRICH. Will the gentleman yield again?

Mr. CANNON. Yes.

Mr. ALDRICH. Are not all of those practices illegal under the Clayton law, and does not the Federal Trade Commission take jurisdiction over those practices? I think the gentleman will find it does.

Mr. BRIGGS. Has not the Federal Trade Commission been engaged for about three years in trying to find out the facts in connection with the Power Trust, and as yet has been unable to gather, from all the voluminous evidence that has been presented to it, the facts in connection therewith? And did not the Federal Trade Commission issue a statement not long ago with reference to this very thing and state they found the Government had lost several million dollars through the subsidiaries being utilized by the parent organization for the payment of taxes, which taxes never found their way into the Treasury of the United States, but which only operated to the benefit of the holding company, which contributed nothing?

Mr. CANNON. Only week before last the United States Federal Trade Commission, after exhaustive hearings, reported that the Government was losing millions of dollars of revenue every year through this very device. They went further. They reported that parent corporations were frequently refusing to return to subsidiaries the amount of the exemptions which the subsidiaries were entitled to receive.

The holding company or central corporation would collect the full amount of the taxes from each of its subsidiaries. Then it would make a consolidated return under this law and increase its exemptions until a large part of the taxes were charged off. But instead of returning to the subsidiaries the excess taxes collected, it retained the full amount and thus mulcted the stockholders of the subsidiary of large amounts at every taxpaying period. The law lends itself to every species of crooked corporation finance, and the House should adopt this amendment, close the back door to such practices, and at the same time collect the full amount of taxes due.

Mr. BRIGGS. Is it not true that after the distribution of dividends among the stockholders of the holding company they then assess those dividends against the users of power throughout the United States, which results in increasing the power rates to everybody in the United States?

Mr. CANNON. Exactly. It is one of the principal devices by which the Power Trust adds to already swollen revenues exacted from the people.

Mr. JOHNSON of Washington. Will the gentleman yield?

Mr. CANNON. I yield to the gentleman from Washington.

Mr. JOHNSON of Washington. I think the gentleman will find another instance in the United Cigar Co. Inside of the United Cigar Co. is a holding company for the 99-year leases on its stores. Under this arrangement a loss is taken in one place and deducted from profits in another place, always, of course, at the expense of the Federal Treasury.

Mr. CANNON. The exemptions claimed by United Cigar Co. is an instance of the manner in which the provisions of this law may be invoked.

Like all these other chain stores and chain corporations, they are in a position to enlist the services of the Government in crushing competition and at the same time save taxes.

Mr. ALDRICH. Will the gentleman yield once more?

Mr. CANNON. Yes.

Mr. ALDRICH. The deductions for losses apply just as much to one big corporation as they do to a subsidiary corporation.

Mr. CANNON. Mr. Chairman, I ask unanimous consent to proceed for five minutes more. I would like to answer the gentleman.

[Here the gavel fell.]

Mr. CRISP. Mr. Chairman, I shall have to object. The gentleman has had 15 minutes.

The CHAIRMAN. Objection is heard.

Mr. CRISP. Mr. Chairman, I hope this amendment will not be adopted. It has been a moot question as to whether it is advisable, in the interest of the taxpayers, to permit these affiliated and consolidated returns.

The argument of my friend from Missouri could be met by saying that a big corporation could place subsidiaries or agencies around at different places and accomplish the same thing in respect of unfair competition. I want to say that the Speaker of the House is very much in favor of the committee recommendation and, gentlemen, this useful purpose will be served.

Mr. CANNON. Will the gentleman yield?

Mr. CRISP. I can not yield right now. I decline to yield. The Speaker can correct me if I am wrong, or if I misstate his position.

This amendment will serve this useful purpose. Under the committee amendment corporations can make individual returns and pay 13½ per cent. If they desire to make consolidated and affiliated returns, they have that privilege, but must pay 1½ per cent extra tax for the privilege.

Now, the recommendation will serve this purpose. The committee can get returns from the Treasury Department for future years after this is passed, and they can study those returns and see how many avail themselves of the privilege and whether or not further legislation is required.

The House is divided on this proposition, and this is a compromise. If you do away entirely with affiliated and consolidated returns, you are liable to junk a lot of short-line railroads. They can not pass their taxes on, because their rates are fixed by the public-utilities commissions, and if they can not deduct loss on their short lines they will junk them; and, on the other hand, if they avail themselves of this privilege they must pay the Government 1½ per cent extra tax on their net income for the purpose of doing so. Now, is not this wise? I understand the gentleman from New York [Mr. LaGuardia], who has been very much interested in this matter, is favorable to this compromise. If I am in error, I would like for the gentleman to correct me.

Mr. JOHNSON of Washington. Will the gentleman yield?

Mr. CRISP. I yield.

Mr. JOHNSON of Washington. The gentleman has referred to the attitude of the Speaker at present on the question of consolidated returns. Now, we seem to have one amendment here, and then another amendment to the middle of the paragraph, offered by the gentleman from Georgia, in line 22, page 109, and the debate, it seems to me, has been running quite a bit ahead of that place in the bill.

Mr. CRISP. The gentleman from Missouri offered an amendment to strike that out, which he had a perfect right to do, and the amendment was in order before the place in the bill where my amendment was in order, and, therefore, I had to take the floor now to argue my amendment and to try to convince the committee that they should not adopt the amendment of the gentleman from Missouri, which does away with affiliated and consolidated returns.

Mr. JOHNSON of Washington. The question I wanted to ask is this: The gentleman speaks of the Speaker's attitude at present. Is the gentleman familiar with the present Speaker's attitude in earlier Congresses when he was on the Ways and Means Committee?

Mr. CRISP. I will say that the Speaker, like all wise men, never hesitates to change his opinion when he thinks he ought to. [Applause.]

Mr. JOHNSON of Washington. I agree with that.

Mr. CRISP. And the Speaker of the House, knowing the temper of the House, knowing how it is divided, thinks this is a wise compromise and will enable the Government, later, to see whether or not these affiliated and consolidated returns work an injury to the Government, and if so, the provision can be amended later.

Mr. JOHNSON of Washington. What I think the gentleman might well do is to pass this amendment over until the membership can read this debate in the Record and ascertain just what the trouble is.

Mr. CRISP. That is the gentleman's opinion. My opinion is that this bill must be expedited and the House will be asked to vote upon the matter.

Mr. GARNER. Mr. Chairman, in view of the fact that this particular provision of the bill is one I have had a good deal to do with in the past, and in view of the fact that it would appear, probably, that I have changed my position in the matter, it perhaps will not be out of order if I make a suggestion concerning it.

I made what I thought was as good a fight as I ever made in my life when I undertook to abolish consolidated and affiliated returns, and succeeded in doing this over the protests of the Ways and Means Committee. I feel now that probably there is no defense for consolidated and affiliated returns, but the suggestion has been made, and it seems to me a very wise one, that we test out in the next year or so the question of whether I am correct or those who believe in consolidated and affiliated returns are correct, and the way to test this out is to penalize corporations for making consolidated returns.

You are now proposing to penalize them 1½ per cent. If it is advantageous to them to file such returns they will pay the penalty. If there is no advantage in consolidated and affiliated returns, they will submit separate returns.

There is one other situation that may, perhaps, be taken into consideration. The amendment that the House put on in a former Congress, as I recall, by a majority of 71 votes, did not become a part of the law. On a record vote in the Senate, the Senate voted more than two to one against it. The result was that in conference the matter was lost. Now, I imagine when this goes over to the Senate, if those gentlemen are of the same opinion now that they were then they will accept the amendment, or there will be some considerable scrimmage in conference.

I imagine no one can defend the proposition that you must give a multiplicity of corporations an advantage over an individual corporation and at the same time say that that advantage should not be equalized, or a test made to see what benefits they get out of it.

Remember, gentlemen, this amendment will yield \$14,000,000.

Mr. VINSON of Kentucky. Eighteen million dollars.

Mr. GARNER. I think the gentleman is mistaken, but, of course, the estimate is before us. I understood 1 per cent would yield \$9,000,000 and 1½ per cent would yield \$14,500,000; but in any event, it will yield a large sum of money.

If you abolish consolidated and affiliated returns, no one knows just how much money the Government would gain by it. We have all guessed at it. I staked my reputation at one time on the floor of this House as a predictor as to what revenue would be derived from it when I said it would yield \$50,000,000; but that was in 1928, gentlemen, and the returns from corporations now are about one-half what they were then. So if my prediction were true then, the limit at this time would probably be \$25,000,000 for the first year, and it would gradually drift off during the years. The reason for this must be apparent to anyone when he thinks of it. Consolidated and affiliated returns the first year could hardly be readjusted. After that wash sales and readjustments in their bookkeeping would naturally reduce the advantage from consolidated and affiliated returns.

I hope that this amendment will be adopted, because, as I have said, it will test out in the next year or two whether or not the opposition to consolidated and affiliated returns is correct.

Mr. CRISP. If the gentleman will yield, the gentleman refers to "this" amendment. Does he mean the Cannon amendment or the committee amendment?

Mr. GARNER. I refer to the committee amendment, of course. I think you will make a mistake if you adopt the Cannon amendment. I think this is a wise compromise and that the committee amendment should be adopted.

Mr. CANNON. Mr. Chairman, I ask unanimous consent that I may proceed for five minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. CANNON. Mr. Chairman, for 20 years I have cooperated at every opportunity with the gentleman from Texas, the Speaker of the House, and this occasion shall not be an exception to the rule. I am glad to have this unexpected opportunity to express my high regard for him. I have followed him always gladly and always with profit, not only because I am an organization Democrat but because of my deep personal affection for him. I shall withdraw my amendment. But may I at the same time suggest an increase in the amount to be contributed by these corporations over that proposed by the committee? The amount here involved is too large to be disregarded. Do you realize that consolidated corporations taking advantage of this law, constituting only 2 per cent of all the corporations making tax returns to the Federal Government, receive 50 per cent of the entire corporation income of the United States? Going still further, do you realize that 5 per cent of the corporations of the country making tax returns, and entitled to additional exemptions under this law, receive 90 per cent of the total gross income paid to all the corporations of the United States? It seems incredible, but it is shown by the records of the Treasury Department.

Now, if we are driven to the extreme of taxing the chewing gum of the children, surely we ought to permit the greatest money-making corporations in the country to pay their just and lawful share of the taxes.

Mr. SCHAFER. Will the gentleman yield?

Mr. CANNON. Assuredly.

Mr. SCHAFER. If the gentleman's amendment is defeated, the publishers of the great chain newspapers will get the advantage?

Mr. CANNON. It applies to chain newspapers as well as to other chain businesses. The amendment will have a most salutary effect on both taxes and business.

Mr. SCHAFER. Will it not apply to the Hearst newspapers and give them about \$1,000,000 annually?

Mr. CANNON. It makes no distinction as to any corporation making consolidated returns.

Mr. JOHNSON of Washington. Will the gentleman yield?

Mr. CANNON. I yield.

Mr. JOHNSON of Washington. In view of the circumstances and the explanation, I am wondering whether the gentleman would withdraw his amendment and then move to strike out the 1½ per cent and insert 2½ per cent?

Mr. CANNON. I am glad to have the gentleman's suggestion as to the rate of increase to be proposed. I am about to withdraw my amendment and will propose the rate of 2½ per cent when the gentleman from Georgia offers his amendment.

Mr. Chairman, I ask unanimous consent to withdraw my amendment.

The CHAIRMAN. The gentleman from Missouri asks unanimous consent to withdraw his amendment. Is there objection?

There was no objection.

The CHAIRMAN. The Clerk will proceed with the reading of the bill.

The Clerk read as follows:

(b) Regulations: The commissioner, with the approval of the Secretary, shall prescribe such regulations as he may deem necessary in order that the tax liability of an affiliated group of corporations making a consolidated return and of each corporation in the group, both during and after the period of affiliation, may be determined, computed, assessed, collected, and adjusted in such manner as clearly to reflect the income and to prevent avoidance of tax liability.

Mr. GIFFORD. Mr. Chairman, I move to strike out the last word. We all probably recall that this item of consolidated returns in the last tax bill caused a great deal of discussion, and that Treasury officials were consulted overnight before we could get action and then without proper understanding of the effects. Three methods are here devised: First, a consolidated return by the parent corporation; second, a separate return by each corporation; third, affiliated returns. When the last tax bill was passed two years ago many of us could not understand what the affiliated return might bring about, and it was defeated. It is indeed a very complicated situation. If we strike the section out the result might be that the separate units of affiliated corporations might so regulate their activities as to force the losses of some to be absorbed by others, in order to have credits for losses set off against the profits.

As an illustration, a parent corporation may own a dozen steamships, and each one of those vessels may be a separate corporate entity. If one seems likely to earn a profit of \$100,000 and another likely to lose \$50,000 in the same year the parent corporation could give instructions that their activities be so arranged that the losing vessel would be assigned to the profitable routes long enough to even the situation up. In such cases it would seem that the parent corporation might as well make a consolidated return. In the last bill we favored only the consolidated or separate return by each corporation.

Mr. CAMPBELL of Iowa. Mr. Chairman, will the gentleman yield?

Mr. GIFFORD. Yes.

Mr. CAMPBELL of Iowa. What is the reason why they could not take all those ships and place them under one corporation instead of having individual corporations for each ship operated? Why could they not, if this law goes into effect, put them in one large corporation?

Mr. GIFFORD. I can answer that question only by saying that convenience of ownership and of operation is generally alleged.

Now, I wish to give another example of the results of consolidated returns. Twenty separate corporations find that one-half of them are losing \$50,000 and the other 10 earning a net income of \$100,000. The losing 10, of course, pay no tax. The profitable 10 pay a tax of 13½ per cent on \$100,000. They would immediately seek out a plan for a holding or parent company and through it make a consolidated return, subtracting the \$50,000 loss from the profits and pay only on the balance of \$50,000. Under such an arrangement the Treasury loses one half of the whole tax by this consolidated-return method but proposes an additional 1½ per cent charge for the privilege of making such a return.

There would be less objection to this method in the case of small corporations created by an existing parent company, of course. There are strong objections, however, to a number of small corporations seeking a parent for themselves in order to minimize the tax which they will have to pay from year to year.

The method is either right or wrong, and ought to be so determined. I am informed by certain members of the committee that the Treasury has explained that the consolidated method does not result in corporations escaping taxes. I wish that the Treasury would explain it to me.

As to the third method of so-called affiliated returns, that was debated at length during the discussion on our last tax bill and should not be enacted until thoroughly analyzed to determine what it may bring about. I doubt if any Member of the House can now explain what the effect would be. It was regarded as a particularly dangerous feature then and rejected. I wish that I could offer a simple illustration of the effect of such affiliated returns and trust that it will not furnish another wide road for the further escape of taxes.

I do object to any group of affiliated corporations getting together and manipulating their affairs so as to bring about such a result.

Mr. BRITTEN. Mr. Chairman, I rise in opposition to the amendment. I hold in my hand a radiogram from Egypt, which accentuates the wisdom of the remarks made yesterday by our distinguished Speaker. I desire at this time to have permission to insert in the Record the radiogram from Mahmoud Samy Pasha, who was a former Egyptian minister to the United States, a man who loves America second only to his own country.

It is a pleasure at this time for me to recall the name of Mahmoud Samy Pasha to the Members of the House, because he was a truly great statesman and diplomat, whose vision and foresight in European diplomacy was probably second to none among the many diplomats in Washington. He did much to popularize Egypt in the eyes and estimation of the average American. His great interest in America is made evident by this radiogram of inquiry concerning the financial status of our country. Our going off of the gold standard would be just as distressing to Mahmoud Samy Pasha as it would be to me and to most Members of this House. In this radiogram he says it is rumored in Egypt that the United States is going off the gold standard, and he wants to know why that is necessary or even possible. That accentuates to my mind the value of the impassioned remarks made yesterday by the distinguished Speaker of this House. I think they were very timely, and I agree with Speaker GARNER that balancing the National Budget through proper measures of economy and taxation is the first essential for improvement in the country's economic position. It will strengthen credit, public and private. It will give opportunity for that confidence which will permit business to go forward. It will prepare the way for increased employment. For the public welfare there can be no alternative for a balanced Budget. It simply must be done.

Mr. Chairman, every economy should be put into effect. Drastic cuts in Government expenditures can and must be made. Such reductions depend upon the readiness of all of us to forego special interest in appropriations.

To balance the Budget under present conditions requires not only the strictest economy in expenditures but additional taxes carefully framed. In levying such taxes great care and fairness should prevail, so as not to dry up important sources of income and discourage business enterprise on which employment depends.

I appeal to the public spirit of Congress to review very carefully methods and rates, but to aim unswervingly at the essential objective of a balanced Budget.

The emergency now confronting us calls for placing the national welfare above all other considerations so that the credit of our Government shall not be placed in jeopardy.

Mr. Chairman, this radiogram from Cairo, Egypt, convinces me that the commercial salesmen of the old world, the financial experts of England, Japan, and France, in every

commercial harbor on earth are knocking down the American dollar and American industry and business in every possible way. They are leaving the impression that we are going off the gold standard, that the billions owed to America by foreign governments will probably be settled at a later date at 60 cents or 70 cents on the dollar. I think the most important and patriotic duty of this Congress is to as quickly as possible pass this revenue bill and provide for balancing the Budget so that the world may know definitely once and for all that we are not going off the gold standard. [Applause.]

What the outside world is thinking about right now is the silly attitude of the American Government in its groping around for revenue, taxing everything that goes into the home—radios, phonographs, ice boxes, soft drinks, moving-picture tickets—when it has at its immediate call the acquirement of six or seven hundred million dollars by taxing a nonintoxicating beer, but the foolish American Government will not take advantage of that opportunity.

Mr. Chairman, the question before the House the other afternoon was whether it would accept my amendment providing for a popular tax on a nonintoxicating beverage, which would bring into the Treasury annually a sum exceeding \$600,000,000, or whether the Government will apply a series of nuisance and mis-called luxury taxes to collect that same amount from an already tax-overburdened public. To "soak the rich" seems to be the popular recreation of the House.

The defeat of my amendment now makes it necessary to impose heavy taxes on radios, phonographs, gasoline, automobiles, real-estate transfers, and many other forms of irritating taxation, probably the worst of which will be a stamp on bank checks.

Mr. Chairman, let me explain briefly just what my amendment contemplated. Bishop Cannon himself would undoubtedly agree to its fairness if he would but vacate his attitude of intolerance and bigotry long enough to seriously consider the feelings of others.

My amendment declared that a beverage containing 2.75 per cent of alcohol is nonintoxicating and therefore not in conflict with the Volstead law; it provided a tax of 4 cents per pint bottle on beer and malt extract, which product would be consumed in the home and in regularly established dining rooms of hotels, restaurants, or duly incorporated clubs with paying memberships; it provided that no license would be granted to any person who has been convicted of a felony under the laws of the United States nor would a license be issued for use in any State in which the laws prohibit the manufacture of this beverage; it prohibited the shipment or importation into any State where such beverage is prohibited by law; it provided that no imported grain or other ingredients could be used in the manufacture of beer, this latter provision being in the interest of the American farmer and his products.

Mr. Chairman, European statesmen and students of political psychology the world over simply can not understand the reasoning power of the American which would arbitrarily tax the daily necessities of life while we have within our immediate grasp the levying of a tax which would be voluntarily and cheerfully paid by more than 20,000,000 adults throughout the Nation who are at present openly opposed to our silly Volstead law and a costly, unenforceable prohibition.

The CHAIRMAN. The gentleman from Illinois asks unanimous consent to incorporate as a part of his remarks a radiogram from an Egyptian gentleman. Is there objection?

There was no objection.

Hon. Representative BRITTEN, MARCH 29, 1932.

Washington:

Rumors are America will leave gold standard. If so, why?

MAHMOUD SAMY PASHA.

Mr. CRISP. Mr. Chairman, I move that all debate on this paragraph and all amendments thereto close in five minutes.

The motion was agreed to.

Mr. SCHAFER. Mr. Chairman, I move to strike out the last word. I did not intend to take any more of the time of the House, but I feel I must in view of some of the statements of the preceding speaker. The gentleman from Mississippi [Mr. RANKIN] vociferously stated that the time would never come when this country would go off of the prohibition standard. May I say to my friend from Mississippi that if this tax bill, as reported out by the Democratic Ways and Means Committee, is enacted into law in its present shape, we definitely go off of the present prohibition standard, because while we rejected the amendment to legalize good wholesome beer containing 2.75 per cent alcohol by weight for consumption in the homes—

Mr. PARKS. Mr. Chairman, I make the point of order that the gentleman is not discussing his amendment.

The CHAIRMAN. The point of order is well taken. The gentleman must confine himself to the striking out of the last word.

Mr. SCHAFER. Mr. Chairman, I am endeavoring to do that as I am laying the foundation for my brief talk. If I had unanimous consent to speak out of order at this time, I perhaps could continue to more fully discuss the matter which I have been discussing and also bring some pertinent facts to the attention of our so-called dry colleague from Arkansas, who at least votes dry, and who has raised the point of order.

Mr. RANKIN. Will the gentleman yield?

Mr. SCHAFER. I will yield, provided the gentleman's interruption is not out of order.

Mr. RANKIN. The gentleman from Wisconsin evidently misunderstood my statement. I said we might go off the gold standard, but I was reasonably sure we would not go on a beer standard.

Mr. SCHAFER. If you pass this bill as reported by the committee with the 30 per cent sales tax malt and wort amendment which has been adopted we do precisely what you claim we will not do. We go off the present prohibition standard and on a wildcat, alley-brewery, Capone-gangster, racketeer standard of making potent beer of 9 per cent alcoholic content, which the poor man and common people of this Nation can not have because of its excessive cost. The cost of malt to the home-brewers, as well as to those who use it for hundreds of other purposes, such as baking in the home, manufacturing of breakfast cereals, malted milk for children and invalids, and so forth, will also increase 30 per cent. This amendment discriminates against the poor and humble and in favor of the prosperous rich and racketeers. By its passage you help the racketeers, bootleggers, hijackers, rumrunners, and our fellow men of means at the expense of the poor and lowly law-abiding citizens to whom you have denied the right to purchase for consumption in their homes nonintoxicating beer having an alcoholic content of 2.75 per cent. [Applause.]

The Clerk read as follows:

(c) Computation and payment of tax: In any case in which a consolidated return is made the tax shall be determined, computed, assessed, collected, and adjusted in accordance with the regulations under subsection (b) prescribed prior to the date on which such return is made. Only one specific credit, computed as provided in section 26(b), shall be allowed in computing the tax.

Mr. CRISP. Mr. Chairman, I offer a committee amendment.

The CHAIRMAN. The gentleman from Georgia offers a committee amendment, which the Clerk will report.

The Clerk read as follows:

Committee amendment offered by Mr. CRISP: Page 109, line 22, strike out the period and the word "only," and insert in lieu thereof a semicolon and the following:

"Except that there shall be added to the rate of tax prescribed by section 13(a) a rate of 1½ per cent, and only."

Mr. CRISP. Mr. Chairman, I was forced by parliamentary exigencies to argue this amendment before I could offer it. I am not going to trespass upon your patience to further discuss it. The House is quite familiar with the whole proposition.

Mr. CLARKE of New York. Will the gentleman permit a question?

Mr. CRISP. I will.

Mr. CLARKE of New York. I have in mind a corporation that owns all the stock of another corporation operating in Mexico under compulsion of Mexican law. It returns to the Government a large income tax, but is compelled to have a Mexican subsidiary corporation under Mexican law. Does the gentleman think that such a corporation, under compulsion or duress, should be an exception?

Mr. CRISP. I do not think we can enter into the field of exceptions.

Gentlemen, you are familiar with this proposition. The committee amendment simply retains affiliated and consolidated returns, with a penalty of 1½ cents extra on the net income if they accept it. It will raise \$18,000,000.

Now, take a department store, for instance. It has a shoe department, a clothing department, and various other departments. It is all under one management. Money may be lost in one of those departments and made in another. If the net taxable return from all of those different branches of the business could not be ascertained, some of them would be discontinued and this would work inconvenience perhaps, to the people. I am confident this will be true of the railroads.

Mr. FREAR. Will the gentleman yield?

Mr. CRISP. I yield.

Mr. FREAR. May I inquire what would be the effect of the 2½ per cent which has been proposed by the gentleman from Missouri [Mr. CANNON] as an amendment to the committee amendment?

Mr. CRISP. I may say as to that that I think it would be excessive. This is largely experimental to ascertain, after returns are made under it, whether it is the duty of the Congress to repeal it entirely or not; and I think, where we are simply embarking on a program of this kind, 1½ per cent is enough at first.

Mr. RAGON. If the gentleman will permit, it may be suggested in that connection that many of these corporations might avail themselves of separate returns if you made it too high; and since there are only a part of them that we could perhaps hit if they wanted to juggle their books, the gentleman's amendment is the only means of getting the amount of \$18,000,000 that is estimated.

Mr. CRISP. I think that is correct.

Mr. WHITTINGTON. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. WHITTINGTON. In view of the plight of a good many of the subsidiary railroads, what would the gentleman say as to the propriety of allowing consolidated returns of railroads?

Mr. CRISP. I am not in favor of it. The railroads will only pay tax on net incomes. If they have not any net income, they do not pay any tax. If they have net income and desire to make an affiliated and consolidated return, I think they should pay the 1½ per cent extra.

Now, friends—and I want to address my good friend from Wisconsin especially—he has told us repeatedly about the worst amendment and Al Capone, and it is in the Record repeatedly. I hope the gentleman can possess his soul in patience and be satisfied with the number of times in the Record that story has been told; and I appeal to all, please let us, in the interest of the country, debate the amendments legitimately and germanely, and then vote upon the amendments and try to pass this bill. [Applause.]

Mr. CANNON. Mr. Chairman, I desire to offer an amendment. In line 5 of the Crisp amendment, strike out 1½ per cent and insert 2½ per cent.

The Clerk read as follows:

Amendment offered by Mr. CANNON: Amend the Crisp amendment by striking out in the last line "1½" and inserting in lieu thereof "2½."

Mr. CANNON. Mr. Chairman, I shall not debate the amendment. When I announced that out of deference to the position of the Speaker I would withdraw it, I also stated I would further cooperate with the committee by

endeavoring to sufficiently increase the rate to make up, in part at least, the sum lost by failure to repeal the provision.

I merely have this to say: We need revenue. We are finding it difficult to balance the Budget. Let us permit these corporations receiving 90 per cent of the entire corporate income of the country, including the chain stores and the Power Trust and the chain newspapers, to pay the full amount of taxes assessed against them along with the child who buys a stick of chewing gum.

Mr. LAGUARDIA. Mr. Chairman, there is a good deal in what the gentleman from Missouri has said in his opposition to our system of consolidated returns; but, gentlemen, some of us have obtained great concessions in this bill. One concession alone this House has been striving to obtain for the last 20 years, and that is to put a proper tax on the transactions of the stock exchanges throughout the country. This of itself is so great an advance under our system of taxation that we may properly cooperate with the committee in putting through the balance of their program.

We all fought together in the past against consolidated returns. If I had my way I would wipe them out entirely; but the Ways and Means Committee having gracefully taken defeat on the whole theory and principle of sales taxes, having brought in a substitute which carries with it propositions that many of us have been fighting for for years, I say that having yesterday stood up and agreed to cooperate with the committee to raise sufficient revenue, it is our duty to do so fully and wholly, without any reservation.

Mr. JOHNSON of Washington. Will the gentleman yield?

Mr. LAGUARDIA. In just a moment.

Now, I am certain there is a new era coming in respect of the whole question of taxation. I am sure the whole House has been permanently cured of the "Ways and Means complex" and has now realized its own ability to write a revenue bill. We have finally established that a bill brought in from the Ways and Means Committee is not necessarily so absolutely perfect that the House dare not disturb. I stood by the gentleman from Texas [Mr. GARNER] and the gentleman from Illinois [Mr. RAINEY] in opposing consolidated returns. I shall continue to do so in the future.

We have had the admission made to-day by responsible leaders that the consolidated-returns system is vicious, and that here is the entering wedge that will offer an index as to just what these consolidated returns mean to the Treasury and that we may soon repeal this privilege. This being so, gentlemen, I say that we may properly accept the compromise of the Ways and Means Committee, which adds 1½ per cent increase. That in itself is considerable progress. This will indicate just how much is involved in these consolidated returns. Here, again, powerful—yes, very powerful—influences have not, as in the past, been able to dictate to Congress.

Now, nothing would give me greater pleasure than to join you in getting back on certain individuals who are taking the defeat of their pet sales-tax hobby with such bad sportsmanship. These influences, powerful, are unaccustomed to such a humiliating defeat. But if these so-called influential persons are small and petty, it is no reason why we should descend to their low level. I know there are certain few individuals who are the principal beneficiaries of this vicious system, but, gentlemen, I say that eventually the whole consolidated-returns system will be abolished. Having obtained the satisfaction of writing into the law a tax on stock transactions of the stock exchange and eliminated the sales tax, we may well compromise on other features of the bill. As soon as the country returns to anything like normal there will be sufficient revenue so that we may abolish the nuisance and luxury taxes which we are writing into the bill to-day.

I want to say, as I said yesterday, the gentleman from Georgia having made these concessions I was fighting for, I am going to stand by the committee. While I have great sympathy with the gentleman from Missouri, we are both interested in raising sufficient revenue to balance the Budget. We agreed from now on to cooperate; we must do it. [Applause.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Missouri to the committee amendment.

The question was taken; and on a division (demanded by Mr. CANNON) there were 20 ayes and 133 noes.

So the amendment to the committee amendment was rejected.

The CHAIRMAN. The question now recurs on the committee amendment.

The question was taken, and the committee amendment was agreed to.

Mr. CRISP. Mr. Chairman, I offer the following committee amendment.

The Clerk read as follows:

Page 15, line 9, strike out "13" and insert in lieu thereof "13½."

Mr. CRISP. The only effect of that amendment is to increase the regular tax on corporations from 13 per cent to 13½ per cent.

The CHAIRMAN. The question is on the amendment. The amendment was agreed to.

Mr. CRISP. Mr. Chairman, I offer the following committee amendment.

The Clerk read as follows:

Page 229, after line 8, insert a new section as follows:

"SEC. —. TAX ON MECHANICAL REFRIGERATORS

"There is hereby imposed upon the following articles, sold by the manufacturer, producer, or importer, a tax equivalent to 5 per cent of the price for which so sold:

"(a) Household type refrigerators (for single or multiple cabinet installations) operated with electricity, gas, kerosene, or other means (including parts or accessories therefor sold on or in connection therewith or with the sale thereof).

"(b) Cabinets, compressors, condensers, expansion units, absorbers and controls (hereinafter referred to as 'refrigerator components') for, or suitable for use as part of or with, any of the articles enumerated in subsection (a) (including in each case parts or accessories for such refrigerator components sold on or in connection therewith or with the sale thereof), except when sold as component parts of completed refrigerators or refrigeration or cooling apparatus. Under regulations prescribed by the commissioner, with the approval of the secretary, the tax under this subsection shall not apply in the case of sales of any such refrigerator components by the manufacturer, producer, or importer to a manufacturer or producer of refrigerators or refrigerating or cooling apparatus. If any such refrigerator components are resold by such vendee otherwise than on or in connection with, or with the sale of, refrigerators or refrigerating or cooling apparatus, manufactured or produced by such vendee, then for the purposes of this section the vendee shall be considered the manufacturer or producer of the refrigerator components so resold."

Mr. CRISP. Mr. Chairman, this amendment will yield to the Treasury about four and a half million dollars. We regret that we have to levy this tax, but the country needs the revenue and we have got to tax something.

Mr. STAFFORD. Will the gentleman yield?

Mr. CRISP. I yield.

Mr. STAFFORD. Is it the purpose, in the operation of the proposed amendment, that the manufacturer shall pay the tax or the retailer?

Mr. CRISP. The manufacturer—on the wholesale price.

Mr. STAFFORD. And it will result as did the tax on automobiles. The automobiles were taxed a certain price at the factory, and the excise tax was passed on.

Mr. CRISP. I am satisfied that will be the result here.

Mr. PATTERSON. Is this a temporary tax, or permanent?

Mr. CRISP. The bill does not provide for it to be temporary, but any subsequent Congress can repeal it.

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

Mr. CRISP. Mr. Chairman, I offer the following committee amendment.

Mr. MCGUGIN. Mr. Chairman, I want to offer an amendment at this point.

Mr. CRISP. What is the gentleman's amendment?

Mr. MCGUGIN. It relates to chain stores.

Mr. CRISP. I think we had better go ahead and dispose of the committee amendments first.

The CHAIRMAN. The Clerk will report the committee amendment.

The Clerk read as follows:

Committee amendment: Page 229, after line 8, insert a new section, as follows:

"SEC. —. TAX ON SOFT DRINKS

"(a) There is hereby imposed—

"(1) Upon all beverages derived wholly or in part from cereals or substitutes therefor, containing less than one-half of 1 per cent of alcohol by volume, sold by the manufacturer, producer, or importer, a tax of 2 cents per gallon.

"(2) Upon all unfermented fruit juices, in natural or slightly concentrated form, or such fruit juices to which sugar has been added (as distinguished from finished or fountain sirups), intended for consumption as beverages with the addition of water or water and sugar, and upon all imitations of any such fruit juices, and upon all carbonated beverages, commonly known as soft drinks (except those described in paragraph (1)), manufactured, compounded, or mixed by the use of concentrate, essence, or extract, instead of a finished or fountain sirup, sold by the manufacturer, producer, or importer, a tax of 2 cents per gallon.

"(3) Upon all still drinks, containing less than one-half of 1 per cent of alcohol by volume, intended for consumption as beverages in the form in which sold (except natural or artificial mineral and table waters and imitations thereof and pure apple cider) by the manufacturer, producer, or importer, a tax of 2 cents per gallon.

"(4) Upon all natural or artificial mineral waters or table waters, whether carbonated or not, and all imitations thereof, sold by the producer, bottler, or importer thereof, in bottles or other closed containers at over 12½ cents per gallon, a tax of 2 cents per gallon.

"(5) Upon all finished or fountain sirups of the kinds used in manufacturing, compounding, or mixing drinks commonly known as soft drinks, sold by the manufacturer, producer, or importer, a tax of 9 cents per gallon, except that in the case of any such sirups intended to be used in the manufacture of carbonated beverages sold in bottles or other closed containers the rate shall be 5 cents per gallon. Where any person conducting a soda fountain, ice cream parlor, or other similar place of business manufactures any sirups of the kinds described in this paragraph, there shall be levied, assessed, collected, and paid on each gallon manufactured and used in the preparation of soft drinks a tax of 9 cents per gallon; and where any person manufacturing carbonated beverages manufactures and uses any such sirups in the manufacture of carbonated beverages sold in bottles or other closed containers there shall be levied, assessed, collected, and paid on each gallon of such sirups a tax of 5 cents per gallon. The taxes imposed by this paragraph shall not apply to finished or fountain sirups sold for use in the manufacture of a beverage subject to tax under paragraph (1) or (3), nor to any article enumerated in section 601 (d) (3).

"(a) Upon all carbonic acid gas sold by the manufacturer, producer, or importer, or by a dealer in such gas to a manufacturer of any carbonated beverages or to any person conducting a soda fountain, ice-cream parlor, or other similar place of business, and upon all carbonic acid gas used by the manufacturer, producer, or importer thereof in the preparation of soft drinks, a tax of 4 cents per pound.

"(b) Each manufacturer, producer, or importer of any of the articles enumerated in subsection (a) and each person who sells carbonic acid gas to a manufacturer of carbonated beverages or to a person conducting a soda fountain, ice-cream parlor, or other similar place of business shall make monthly returns under oath in duplicate and pay the tax imposed in respect of the articles enumerated in subsection (a) to the collector for the district in which is located his principal place of business, or if he has no principal place of business in the United States, then to the collector at Baltimore, Md. Such returns shall contain such information and be made at such times and in such manner as the commissioner, with the approval of the Secretary, may by regulations prescribe. The tax shall, without assessment by the commissioner or notice from the collector, be due and payable to the collector at the time so fixed for filing the return. If the tax is not paid when due, there shall be added as part of the tax interest at the rate of 1 per cent a month from the time the tax became due until paid.

"(c) Each person required to pay any tax imposed by subsection (a) shall procure and keep posted a certificate of registry in accordance with regulations to be prescribed by the commissioner, with the approval of the Secretary. Any person who fails to register or keep posted any certificate of registry in accordance with such regulations shall be subject to a penalty of not more than \$1,000 for each such offense."

Mr. CRISP. Mr. Chairman, I am going to say only a word or two. This reenacts the act of 1921 on soft drinks. It is estimated to yield \$11,000,000.

Mr. COCHRAN of Missouri. Mr. Chairman, will the gentleman yield?

Mr. CRISP. Yes.

Mr. COCHRAN of Missouri. Will the gentleman state on what basis they calculated the yield to be \$11,000,000?

Mr. CRISP. The Treasury experts in making all of these estimates took into consideration the yield when the law of 1921 was in force, and considered also in that connection reduced business and took into consideration also every economic factor that has any bearing in the making of these estimates. The estimates are the best judgment of these Treasury officials under present economic conditions.

Mr. BACON. Mr. Chairman, will the gentleman yield?

Mr. CRISP. Yes.

Mr. BACON. Did the gentleman consider increasing those rates over the 1921 rates? It seems to me that we could get more revenue from this source. These injurious concoctions sold as soft drinks are in reality a luxury. It seems to me that we could really double the tax with great safety and bring in at least \$22,000,000 instead of \$11,000,000.

Mr. CRISP. The subcommittee considered it, and they thought it a fair tax. I yield to the gentleman from Arkansas [Mr. RAGON].

Mr. RAGON. Mr. Chairman, we found it was difficult to place in a set of rates different from the 1921 rates. We found that on certain drinks, if we should increase the rate, it would be increasing the rate on which they were already paying two taxes. For instance, on carbonic-acid gas and upon sirups, you have both of them taxed now; and where the fountain man makes his sirup, he uses the carbonic-acid gas and already pays a double tax. To increase that and then give the same relation to bottled beverages, it was difficult.

Mr. BACON. I appreciate this provision is a complicated one, but it seems to me the tax might be increased proportionately right down the line.

Mr. RAGON. The subcommittee is still considering the matter. The committee amendment was adopted yesterday, and we began further investigation of it this morning to see if anything further can be done.

Mr. McCLINTIC of Oklahoma. Does this amendment place a tax on bottled soft drinks?

Mr. RAGON. Yes; 2 cents a gallon.

Mr. COX. Mr. Chairman, will the gentleman yield?

Mr. CRISP. Yes.

Mr. COX. The rates set forth in the amendment offered by the committee are an increase of about 100 per cent over the rates in the war act, are they not?

Mr. CRISP. My understanding is that these rates in this revision are a reenactment of the act of 1921, and my recollection is that the act of 1921 lowered the war rates on these matters.

Mr. COX. My impression is that the rates set forth in the amendment which the gentleman has just offered are in effect about 100 per cent greater than the rates in the previous law.

Mr. CRISP. I do not think so.

Mr. COX. Let me call the gentleman's attention to this item for a moment, and that is the tax on carbonic gases. The committee has recommended a levy of 9 cents upon all finished sirups. That, as I understand it, is a tax on sirups made by the manufacturers who sell the finished products to the retailers throughout the country to those who operate drug stores, and so forth. That provision now carries a tax upon even simple sirups made by the drug-store people or those who operate soda fountains. The owner of a soda fountain will take his sugar and mix it with water and that product itself under the bill is taxed 9 cents per gallon. In other words, I am impressed with the thought that the amendment imposes an unjustifiable burden upon all people who operate drug stores, and, as we know, this business of the drug store is now being sustained and supported by the children of the country. When you impose a tax upon the sirups and then impose a tax of 4 cents on the carbonic gases, which have no value except in the utilization of sirups in the making of drinks, you have put a burden on the operator of the small drug store or upon whoever may undertake to carry on the business of dispensing soft drinks to such an extent as to make it impossible for him to absorb the added cost of carrying on his business. In other words, you are making it necessary for him to increase the price of

his product to 6 cents, whereas, if you would eliminate the item of carbonic gases, you would aid in making it possible for the dealer to absorb the added cost of carrying on his business, and, therefore, though I reluctantly do so, Mr. Chairman, I am going to offer an amendment to strike out that item.

The CHAIRMAN. The time is now in the control of the gentleman from Georgia.

Mr. CRISP. Mr. Chairman, I yield the floor.

Mr. SCHAFER. Mr. Chairman, I offer the following amendment, which I have sent to the desk.

The Clerk read as follows:

Amendment by Mr. SCHAFER: At the end of paragraph 5 of the Crisp amendment insert:

"Except that in the case of Coca-Cola sirup, liquid, solid, or condensed, the rate shall be 30 per cent ad valorem."

Mr. SCHAFER. Mr. Chairman, this amendment presents to the House of Representatives the exact form of the language and the exact sales-tax rate on Coca-Cola sirup, made in the State of Georgia, as you placed on malt sirup, made throughout the great West out of the grains produced on the American farms. Most of the basic ingredients used in the manufacture of Coca-Cola sirup are not produced in America but come from foreign lands, where they pay peon wages in many instances.

I was surprised to see the gentleman from Georgia [Mr. Cox], from the Coca-Cola State, stand up here and protest against that little measly tax on carbonated Coca-Cola proposed in the committee amendment. Where was Mr. Cox, the gentleman from Georgia, where was Mr. CRISP, the gentleman from Georgia, the home State of Coca-Cola, when the Ways and Means Committee brought in and the committee wrote into the bill a sales tax of 30 per cent on malt sirups?

The gentleman from Georgia [Mr. Cox] spoke about the children helping to support the drug stores when they purchased Coca-Cola. He, however, did not lift his voice in protest against the 30 per cent sales tax on malt sirups. The bill as now written carries a 30 per cent tax on malt sirups manufactured from grain produced on American farms and which American housewives purchase to use for making malted milk in their homes for children and invalids and for use in baking hundreds of different food products. You gentlemen stood up at the behest of the gentleman from the Coca-Cola State of Georgia and levied a 30 per cent sales tax on those malt sirups.

Now, my colleagues, you levied a sales tax on and legalized brewers' wort, an illegal product under the Volstead Act, at the request of the Ways and Means Committee, of which the gentleman from Georgia [Mr. CRISP] is acting chairman. In doing so in the name of raising revenue you voted to issue a certificate authorizing Capone and other racketeers to manufacture potent 9 per cent wildcat-brewery beer in alley breweries, notwithstanding the prohibition of the Volstead Act as amended by the Jones law.

Mr. CRISP. Will the gentleman yield?

Mr. SCHAFER. I will yield if the gentleman will get me more time. Mr. Chairman, I ask unanimous consent that my time be extended five minutes so that I can answer any questions.

Mr. CRISP. Mr. Chairman, reserving the right to object, will the gentleman stop talking about Al Capone if he gets this time?

Mr. SCHAFER. I am talking about Coca-Cola sirup now, and the gentleman does not like to hear it.

Mr. CRISP. I do not care how much the gentleman talks about Coca-Cola if he will stop talking about Al Capone.

Mr. SCHAFER. I will continue to talk about facts.

Mr. CRISP. Then, Mr. Chairman, I object.

Mr. SCHAFER. The gentleman's Ways and Means Committee has not brought in any facts defending the wort tax, or the indefensible 30 per cent sales tax on malt sirups. The committee does not have in its hearings or in its report any defense of these outrageous taxes. The chairman of the committee and no member thereof have said one word in debate to justify these extortionate sales taxes. The gentle-

man from Georgia wanted me to yield to him and when I wanted more time in which to do so objected. When the 30 per cent sales tax on malt and the tax on wort was reached for consideration, the gentleman and his Ways and Means Committee maneuvered the time of debate so that the entire membership had but five minutes to present the opposition.

Mr. Chairman, I say if it is right to tax malt sirup manufactured from the products of the American farms, it is right and just to tax Coca-Cola sirup on at least the same basis, when you consider the fact that it is made primarily from foreign products and also consider that Coca-Cola is a luxury and malt sirups are a food product.

I challenge the gentleman from Georgia to come on the floor of this House and debate this amendment and justify a 30 per cent sales tax on malt sirups and the tax on wort. He has not done so up to this time.

Mr. CRISP. Will the gentleman yield?

Mr. SCHAFER. Yes.

Mr. CRISP. I simply desire to say to the gentleman, if it will make him any happier, that I will give him a committee secret. I opposed this tax on malt and wort and voted against it.

Mr. SCHAFER. Why did not the gentleman then come on the floor of the House and say that, so that the Members might have light on that subject, or else give other Members sufficient time to present the facts?

[Here the gavel fell.]

Mr. McCORMACK. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Wisconsin.

Mr. Chairman, I am always interested in hearing the distinguished gentleman from Wisconsin [Mr. SCHAFER] speak. The gentleman is very sincere. The gentleman is very sincere on this proposition. He is also very sincere in his opposition to the proposed tax on malt and wort. The gentleman has a perfect right to take this position, and we respect his sincerity, although at times we can not completely agree with him in every position that he takes.

The gentleman has referred to the gentleman from Georgia, Mr. CRISP, as coming from the Coca-Cola State and has referred to the gentleman from Georgia, Mr. Cox, as coming from the Coca-Cola State, and has made other references to the proposed amendment; and the fact that Coca-Cola is involved therein in some way or other to such an extent, the gentleman from Wisconsin considers it to be of great importance. I am sure the gentleman from Wisconsin is not trying to convey to the House the fact that either of the gentlemen from Georgia, Mr. CRISP or Mr. Cox, is interested in opposing this amendment to the committee amendment. I do not know what position the gentleman from Georgia, Mr. Cox, takes. I do know that the position of the gentleman from Georgia, Mr. CRISP, is not influenced because Coca-Cola is concerned. Surely, the gentleman from Wisconsin would not want to directly or indirectly impugn the motive of any Member of the House, particularly the distinguished gentleman from Georgia, Mr. CRISP.

Now, I opposed the malt tax that the gentleman from Wisconsin now opposes; and in justice to the acting chairman of the committee, I want it distinctly understood, and I want the gentleman from Wisconsin to understand it, so he will make no further references to the gentleman from Georgia [Mr. CRISP], that the gentleman from Georgia [Mr. CRISP] in committee opposed this tax, and yet the gentleman from Georgia has been consistent in his attitude on this matter. The committee, having voted as a majority to report this out, the gentleman from Georgia having charge of the bill, he arose the other day and said that, personally, he did not favor it (the tax on malt and wort), but acting under instructions from a majority of the committee, naturally, as the committee's representative, he had to support the amendment, frankly stating that, so far as he was concerned, he had voted against it in committee.

So far as the beverage proposition is concerned, I am personally against it, but I did not vote against it in committee; but I said I would not vote on the matter because I take the position that, in view of the recent action of the

House throwing back to the Committee on Ways and Means the responsibility of raising additional revenue or proposing substitute items of revenue, it is not my province as a member of the committee to try to defeat the efforts of the other members of the Ways and Means Committee in reporting out substitute items to the House; and although I may differ, I take the position I will vote present in committee or will vote to report such items out to the House, reserving to myself the right of freedom of action in the House in order that the House may have an opportunity to consider such substitute propositions, because if we keep defeating these various things in committee, the House will never get anywhere in passing a bill that will balance the Budget.

I opposed the amendment, but I am going to vote for it today because we have got to balance the Budget and because the subcommittee which was considering increasing this tax has decided to take no further action thereon. I hope the gentleman from Georgia [Mr. Cox] will not press his amendment, because if he does, it is going to develop into a fight where there may be a greater tax imposed. Furthermore, after we pass the bill, it is going over to the other branch and they will have an opportunity to consider this matter.

Let us pass the amendment as reported by the committee. I reserved to myself the right to differ with the committee on this matter; and if this question was before us in the ordinary way as an original proposition, I would oppose it, but under the circumstances, I do not think I should interpose my objection to the efforts of the committee to report out some substitute matters for the consideration of the House which, when finally adopted, will insure the passage of a bill that will balance the budget.

Mr. COX. Will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. COX. Let me state to the gentleman that the amendment which I indicated I would offer, out of deference to the wishes of the gentleman and in appreciation of the fine spirit of his committee, I shall not offer.

[Here the gavel fell.]

Mr. HAWLEY. Mr. Chairman, during the consideration of many revenue bills this question of Coca-Cola, like many others, has been raised. Of my own knowledge, I know the gentleman from Georgia has no personal interest in the matter at all and has no more interest in it than he has in any other item in the bill. This proposal reported by the committee puts all similar beverages on the same basis.

We did not include in this paragraph anything that is included in 601 (d) (2) or (3), in which the question of alcoholic content is raised. There is no question of alcoholic content raised in connection with this particular amendment as offered by the committee. I hope the amendment of the gentleman from Wisconsin will be voted down.

The proposed committee amendment is a tax fairly apportioned among the various items contained in it. It will raise the money. It will impose no unnecessary burden on anyone. Somebody must pay taxes.

If these taxes are absorbed by the manufacturers or those who dispense soft drinks as I think they will be very largely, consumers will not pay any part of them. If some part is passed on, it will be in such small amounts as to be negligible.

I regret that in any way, at any time, the gentleman from Georgia, the acting chairman of the committee, should have been called upon to meet the question that has been raised. His work has been so patriotic, so industrious, so efficient, so courteous and so considerate of all, that I think he is entitled to the honors and the encomiums of the House. [Applause.]

Mr. CRISP. Mr. Chairman, will the gentleman yield?

Mr. HAWLEY. Yes.

Mr. CRISP. If my character in this House is not such that it is ridiculous for me to defend it, I do not deserve to be in this House. [Applause.]

Mr. COCHRAN of Missouri. Mr. Chairman, in view of the fact that the gentleman from Arkansas [Mr. RAGON] has said the subcommittee is still considering this paragraph,

I desire to make some observations which I hope will receive the attention of those who recommended this amendment and who still have it under advisement.

Included in this paragraph are cereal beverages with taxes based upon the 1921 rates. If those engaged in the manufacture of cereal beverages were making money, they would not object to this tax. Slowly but surely, as I will show later, this industry is disappearing. Therefore why tax something where you are not going to get any money that will be even noticeable. Of course you do not want to hasten the destruction of the few plants that are left. You would only by so doing add to the number now out of employment.

Of course, the taxes must be raised, the Budget must be balanced, and I hope to be able to vote for this bill; but if I do, I want it distinctly understood that I am not approving of the tariff on oil and coal. One would be perfectly justified in voting against this bill in normal times because of those two items alone. There are any number of Members on both sides of the aisle that agree with me in this respect. Those who supported the oil tariff appealed to you to put the unemployed back to work in Texas, Kansas, Oklahoma, and other Southern States. Where were the same Members when we appealed to you to place a tax on 2.75 beer and put several hundred thousand men and women to work manufacturing a harmless cereal beverage? The gentleman from Texas [Mr. BLANTON] and the gentleman from Kansas [Mr. MCGUGIN] who yelled for a tariff on oil to put the unemployed to work justified their vote against the beer amendment by stating it would scrap the Constitution. Advance agents of Supreme Court decisions, I call them.

The few manufacturers of cereal beverages left are former brewers. Do you want to destroy them entirely. They can not raise the price of their product, nor can they afford to absorb the tax you propose.

I want to call the attention of the subcommittee to the fact that the statistics of the Bureau of Industrial Alcohol show that in 1921 there were 454 plants in the United States manufacturing cereal beverages. At the present time there are only 190 plants manufacturing cereal beverages. In 1921, 6,000,000 bushels of malt were used for that purpose. In the last calendar year only 2,000,000 bushels of malt were used for that purpose. Do you not see the industry shrinking? Why destroy it entirely? Help those that need help, tax those who can stand the tax.

The figures show that we are not going to secure the revenue by placing a tax on cereal beverages that was secured in 1921. It is a failing industry, and I hope you will consider removing that item from the paragraph. The subcommittee will make this recommendation before the bill is placed on its final passage if they will but make an investigation of the situation. I am willing to leave it to your fairness if you will get the facts from the Treasury Department that has records, as these manufacturers can not operate without a permit. [Applause.]

Mr. BOILEAU. Mr. Chairman, I have the highest regard for the members of the Ways and Means Committee; they have been doing everything they could to bring in a revenue bill that will meet with the approval of the membership of the House.

However, I feel a resentment against having an amendment such as this, which is several pages in length, brought on the floor of the House and read to the House without having it printed, or having it lay over, so that the membership could read it. I do not think there are any Members of the House, except the members of the committee, who know the details of this amendment. I feel that when amendments of this length are being considered we should have an opportunity to study them before they are voted upon. We should have an opportunity to have them printed beforehand in the Record. I feel it is unfair to the membership of the House to pass on legislation of this kind without having an opportunity to look it over.

Mr. CRISP. Mr. Chairman, the gentleman from Wisconsin knows that I have an affection for him. The gentleman does not want to put the committee in a false light.

Mr. BOILEAU. I certainly do not.

Mr. CRISP. The committee, after working months, brought this bill in. The bill did not meet the approval of the House, and the House rejected it. The committee had to bring in something to balance the Budget. The committee has acted fairly and given all the notice that it could.

Mr. BOILEAU. I appreciate that, but I do maintain that only a few Members of the House know the details of this amendment. I think that in amendments of this kind we should have copies of it, or that it should be put over for a day and be printed in the Record with notice that it was to be offered.

Mr. RAMSPECK. Mr. Chairman, I do not desire to get into any controversy with the gentleman from Wisconsin. I represent the district in which is located the home office of Coca-Cola. It is a Delaware corporation. It was founded by a citizen of Georgia some 35 years ago, by one of the finest citizens that ever lived in that State. That man is deceased, but out of the profits he made in Coca-Cola, he founded a great university at Atlanta and a great hospital. The company is owned now by thousands of stockholders all over the United States. Legally, this is a Delaware corporation. It has factory branch offices all over the country with licensed bottlers, I think, in every city of any size in this Union. In addition to that, the Coca-Cola Co. operates in every foreign country throughout the world.

Coca-Cola has no cocaine in it, as stated by the gentleman from Wisconsin, and it has no other product in it that is injurious to any person. It is evident that the amendment offered by the gentleman from Wisconsin is simply an effort to embarrass the acting chairman of the Ways and Means Committee.

Mr. SCHAFER rose.

Mr. RAMSPECK. I do not yield. There is no merit in this amendment. The tax on Coca-Cola is just like the tax on any other soft drink in the committee amendment. I hope the House will take into consideration the purpose of the gentleman from Wisconsin and vote down this amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin.

The question was taken; and on a division (demanded by Mr. SCHAFER) there were—ayes 14, noes 101.

So the amendment was rejected.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Georgia.

The amendment was agreed to.

Mr. CRISP. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. CRISP: Page 229, after line 8, insert a new section as follows:

"SEC. —. TAX ON LEASES OF SAFE DEPOSIT BOXES

"(a) There is hereby imposed a tax equivalent to 10 per cent of the amount collected on or after the 15th day after the date of the enactment of this act and before July 1, 1934, for the use during such period of any safe-deposit box, such tax to be paid by the person collecting such amount.

"(b) For the purposes of this section any vault, safe, box, or other receptacle, of not more than 40 cubic feet capacity, used for the safe-keeping or storage of jewelry, plate, money, specie, bullion, stocks, bonds, securities, valuable papers of any kind, or other valuable personal property, shall be regarded as a safe-deposit box.

"(c) Every person making any collections specified in subsection (a) shall on or before the last day of each month make a return, under oath, for the preceding month, and pay the tax imposed by subsection (a), to the collector for the district in which is located his principal place of business, or, if he has no principal place of business in the United States, then to the collector at Baltimore, Md. Such returns shall contain such information and be made in such manner as the commissioner, with the approval of the secretary, may by regulations prescribe.

"(d) The tax shall, without assessment by the commissioner or notice from the collector, be due and payable to the collector at the time fixed for filing the return. If the tax is not paid when

due, there shall be added as part of the tax interest at the rate of 1 per cent a month from the time the tax became due until paid.

"(e) The provisions (including penalties) of section 1114 of the revenue act of 1926 shall be applicable with respect to the tax imposed by subsection (a)."

Mr. CRISP. Mr. Chairman, this is a new field, and it is impossible to get any very satisfactory or accurate estimate as to the yield of revenue. The Treasury Department says their best guess is \$1,000,000.

Mr. LaGUARDIA. Mr. Chairman, will the gentleman yield?

Mr. CRISP. Yes.

Mr. LaGUARDIA. The gentleman knows that I made some investigation in respect to this matter. My estimate is nearer \$5,000,000. I arrived at it in this way. The only section of the country where we could obtain any sort of figures as to the number of safe-deposit boxes was in New England. We took New England as a section and made comparisons with other sections of the country, in respect to the number of banks, the population, and so forth. In that way we arrived at a figure that there were something in the neighborhood of 9,000,000 boxes in the country. If that figure is anywhere near correct, our estimate is more accurate I think than that of the Treasury Department. Of course, the gentleman will see that this is easily collected, and if it is \$5,000,000 I think it is worth while trying.

Mr. CRISP. I would say that it was the gentleman who suggested it, and I hope that his estimate as to the yield is correct.

Mr. SWING. Mr. Chairman, I move to strike out the last word. On Monday the distinguished majority leader, Mr. RAINEY, under unanimous consent to extend his remarks, inserted a compendium of State income-tax rates, and in introducing it into the RECORD this statement appears:

If a man happens to have an income of over \$5,000,000, he will pay 77 cents in income taxes out of every dollar that he makes, leaving only 23 cents out of his earned dollar.

I desire to correct that statement and protest against its repetition throughout the country in support of the cry that has been raised against my amendment on the ground that it is confiscatory. Obviously the statement of the gentleman is wrong, when we stop to examine it, and the gentleman from Illinois unwittingly lent his voice and influence to help out this cry against having those with immense incomes pay a just proportion toward the maintenance of the Government according to their ability to pay. Obviously, the highest rates proposed do not require any man to pay 77 cents out of every dollar that he makes, but only 77 cents out of every dollar that he makes in excess of \$5,000,000, which is a very different thing from what the gentleman is recorded as having stated.

Mr. RAINEY. Mr. Chairman, will the gentleman yield?

Mr. SWING. Yes.

Mr. RAINEY. The gentleman is correct about it, of course. The tables that I printed after that show what the facts are.

Mr. SWING. I knew the gentleman would insist upon a correction, and that he was unwittingly drawn into supporting the hue and cry that these rates are confiscatory. I ask unanimous consent to have extended in the RECORD as a part of my remarks a comparison between what various groups of taxpayers will pay under the war rates of 1918 and rates which are set forth in my amendment to the present bill. This table will show that the rates in the Swing amendment are on an average actually 10 per cent below the war rates on surtaxes, and even lower than that when the surtax and normal rates are combined, because in 1918 the normal rates were 12 per cent, while under the LaGuardia amendment they are only 7 per cent.

The CHAIRMAN. The gentleman from California asks unanimous consent to extend his remarks in the RECORD in the manner indicated. Is there objection?

There was no objection.

Mr. NELSON of Missouri. Mr. Chairman, will the gentleman yield?

Mr. SWING. Yes.

Mr. NELSON of Missouri. Can the gentleman give us some idea as to the amount of taxable income remaining in the brackets of \$100,000 and above?

Mr. SWING. For 1931 they have not yet been compiled, but for 1930, as I estimate them from published reports, there was approximately a billion and a half. I am told that that has shrunk about one-third for 1931.

Comparison of surtaxes paid under revenue acts

Net income	Rates		Amount tax paid		Amount 1932 taxes are below 1918 taxes
	1918	Swing amendment, 1932	1918	Swing amendment, 1932	
\$100,000	48	39	\$23,510	\$20,100	\$3,410
\$150,000	52	40	49,510	40,100	9,410
\$200,000	56	42	77,510	61,100	16,410
\$250,000	60	44	107,510	83,100	24,410
\$300,000	60	46	137,510	106,100	31,410
\$400,000	63	48	207,510	154,100	53,410
\$500,000	63	50	263,510	204,100	59,410
\$750,000	64	52	423,510	334,100	89,410
\$1,000,000	64	54	583,510	469,100	114,410
\$1,500,000	65	56	908,510	749,100	159,410
\$2,000,000	65	58	1,233,510	1,039,100	194,410
\$3,000,000	65	60	1,883,510	1,639,100	244,410
\$4,000,000	65	62	2,533,510	2,239,100	294,410
\$5,000,000	65	64	3,183,510	2,839,100	344,410
In excess of \$5,000,000	65	65			

Normal rates imposed in addition to the above surtaxes: 1918, 12 per cent; 1932, 7 per cent.

Therefore it is seen from the above that when we combine the surtax rates with the normal rates, the aggregate rates proposed in the pending bill for net incomes in excess of \$100,000 average fully 15 per cent below the war-time rates fixed for the same incomes in the revenue act of 1918.

Mr. PARKS. Mr. Chairman, I rise to a point of order. The sooner we get this bill passed and out of here the better it will be for the country. These gentlemen who come here and discuss something that does not pertain to the question under advisement ought not to take up the time. The gentleman from California has finished, and I do not want to raise a point of order against any particular man. I insist, however, that gentlemen ought to discuss the amendment.

The CHAIRMAN. The gentleman from Arkansas states the proper procedure with reference to amendments. A strict construction of the rules would confine debate to the amendment before the committee. The question is on the amendment offered by the gentleman from Georgia.

The amendment was agreed to.

Mr. CRISP. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Committee amendment offered by Mr. CRISP: Page 229, after line 8, insert a new section, as follows:

"SEC. —. POSTAL RATES

"(a) On and after the thirtieth day after the date of the enactment of this act and until July 1, 1934, the rate of postage on all mail matter of the first class (except postal cards and private mailing or post cards, and except other first-class matter on which the rate of postage under existing law is 1 cent for each ounce or fraction thereof) shall be 1 cent for each ounce or fraction thereof in addition to the rate provided by existing law.

"(b) Only 85 per cent of the gross postal receipts during the period the increased rate of postage provided in subsection (a) remains in force shall be counted for the purpose of determining the class of the post office or the compensation or allowances of postmasters or of postal employees of post offices of the first, second, and third classes. For the purpose of determining the commissions (as distinguished from the compensation and the allowances based thereon) of postmasters of the fourth class, only 85 per cent of the applicable cancellations, collections, and receipts during such period shall be counted."

Mr. CRISP. Mr. Chairman, this amendment produces a greater amount of revenue than any other amendment recommended by the committee. The committee sought diligently to try to avoid the necessity for recommending to you this postal increase. You will observe that we have made many recommendations centering on what are commonly called luxuries, but they do not produce the money. To

produce the money to balance the Budget we must have some commodity that will produce a lot of revenue. The committee was faced with three alternatives to produce this money. One was a cent tax on gasoline, which was estimated to yield \$165,000,000. Then there was a 2-cent tax on all bank checks, which was estimated to yield \$97,000,000. The third item that will produce money of any magnitude was to increase the tax on tobacco one-sixth, and I think we will all agree that tobacco now carries the heaviest sales tax of any commodity. The committee canvassed the situation, and finally decided as a temporary measure to meet the emergency it was better to increase the postage 1 cent on first-class matter.

I announced myself in committee as being ready to vote for anything. My State has a 6-cent tax on gasoline at the present time. I offered to vote for another 1 cent. I think every member of that committee will tell you that I have not considered either my district or my State in my attitude on this tax bill.

Mr. KELLY of Pennsylvania. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. KELLY of Pennsylvania. Some of the Members did not understand the provision as to the payment of salaries of postmaster of the first, second, and third class. Does the amendment provide for the use of this additional revenue in computing the salaries of postmasters?

Mr. CRISP. I am not a postal expert and my friend is, and, as the gentleman knows, I say that in perfect kindness. As I understand, this amendment was drafted by the Post Office Department.

Mr. KELLY of Pennsylvania. The gentleman understands that at the present time payments to postmasters are fixed by the receipts of the office.

Mr. CRISP. I understand the amendment is so drawn as to prevent postmasters from receiving any increased salaries by virtue of this increase.

Mr. KELLY of Pennsylvania. What about the cancellations in fourth-class offices?

Mr. CRISP. They do not get any benefit. They are not benefited by this increase.

Mr. McCLINTIC of Oklahoma. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. McCLINTIC of Oklahoma. How much money is it expected will be raised by this increase?

Mr. CRISP. One hundred and thirty million dollars.

Mr. McCLINTIC of Oklahoma. How much in the way of an increase on tobacco would be necessary in order to raise a similar amount?

Mr. CRISP. You would almost have to put tobacco out of business. It now has a tremendous tax on it. Let me repeat to my friend one of my favorite illustrations. On every pack of cigarettes you buy there is a 6 cents sales tax and there is a tax on every pound of tobacco that goes into the making of cigarettes. There is a \$3 tax on every pound of tobacco. To produce the \$57,000,000 it would be necessary to add an additional tax amounting to one-sixth and to produce \$130,000,000 you would have to raise it about three times.

Mr. McCLINTIC of Oklahoma. Could we not in some way put a portion of this additional tax on tobacco and then tax certain kinds of periodicals such as the Saturday Evening Post, mail-order catalogues, and other similar publications, so as to bring in that which would be needed to make up the deficit?

Mr. CRISP. I will say to my friend that the committee considered those things and we were worried over it, but finally we reached the conclusion in the committee that this was the wisest thing to do. Therefore we have brought it to you for your consideration.

Mr. MEAD. Mr. Chairman, your Committee on the Post Office and Post Roads at the very beginning of this session, after the Secretary of the Treasury and the Postmaster General had recommended increasing first-class postage from 2 to 3 cents, authorized me as their chairman to appear before the Committee on Ways and Means in opposition to such recommendation. I appeared before the committee and

urged them to leave the matter of revising postage rates with our Committee on the Post Office and Post Roads. The Ways and Means Committee at that time passed a resolution agreeing with the position taken by our committee. The Committee on the Post Office and Post Roads then, in keeping with an agreement which I had made with the Committee on Ways and Means, considered all the bills recommended by the department which would raise revenue. We reported about 10 bills to this House. Nine of them have passed and are now in the Senate. If those bills are enacted into law, we estimate that approximately \$20,000,000 in revenue will result. The Postmaster General secured an increase in parcel-post rates, which will yield \$7,000,000 annually, according to the department's estimate. An increase in parcel-post size and weights was also secured from the Interstate Commerce Commission, which will add \$5,000,000 to postal revenues.

Mr. UNDERHILL. Will the gentleman yield?

Mr. MEAD. Yes. I yield.

Mr. UNDERHILL. Of course I do not expect the impossible of the gentleman, but from what we have already heard from the other body with reference to passing postal legislation, does the gentleman have any idea that they will pass any of the bills the House has already passed under the recommendation of his committee?

Mr. MEAD. I will say to the gentleman that they have already acted favorably on two bills, both of which will not increase postal revenues.

Mr. UNDERHILL. They have already acted on two bills, but not bills reported by your committee of the House?

Mr. MEAD. They have not as yet reported on any of our bills.

Mr. UNDERHILL. The bills upon which they have acted will decrease the revenues rather than increase them, so there is not much hope that the bills reported by the gentleman's committee and passed by the House will be acted upon by the Senate.

Mr. MEAD. The Postmaster General has increased foreign postage, which will also add to the revenues of the department. I also understand from a statement he made before our committee that he intends to increase the rate on air mail, which will add some revenue to the department. All together these changes in postal rates will result in approximately \$35,000,000 of added revenue, but will in no way approach the present postal deficit. The chairman of your Committee on Ways and Means, before they considered this program, which includes an increase in postage rates, conferred with me and asked for my opinion. While I realize the committee had authority to go ahead and present this amendment to the House I appreciate the consideration accorded me by the distinguished gentleman from Georgia, the acting chairman of the committee.

I was one of the Members of the House who opposed the sales tax for I thought it was unjust and unwise to put a tax on food, clothing, medicines, and other necessities of life. Such a tax would further burden the poor. I said it would be better, of course, to put the tax on postage, but I also said that there is a danger in taking from the Post Office Committee that which has been its prerogative since the institution of government. Only on two occasions—in the War of 1812 and in the World War—has the Ways and Means Committee sought to impose a tax on the people by increasing postage rates. In the Constitutional Convention of 1787 this matter was brought to the floor on two occasions and both times it was defeated. Thereafter the precedent was established that the Post Office Department should be run for service and not as a revenue-producing agency of the Government.

In February, 1925, we sought to increase the revenues of the department by increasing the rate on postal cards, and we did this, raising the rate from 1 to 2 cents. The department estimated an increase in revenues of \$10,000,000 would result from this increase. We found, however, that we lost \$6,000,000 of the amount which had been received at the 1-cent rate.

[Here the gavel fell.]

Mr. MEAD. Mr. Chairman, I ask unanimous consent to proceed for five additional minutes.

Mr. CRISP. Mr. Chairman, I amend that and ask that the gentleman be given 10 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. MEAD. So, from our own experience in raising first-class postage rates, we found that it worked in the opposite direction. It decreased the volume and we lost revenue as a result. In a succeeding Congress we repealed the law, restoring the 1-cent rate on postal cards, and the volume is now gradually creeping back to where it was before we raised the rates.

Mr. ARNOLD. Will the gentleman yield?

Mr. MEAD. Yes; I yield.

Mr. ARNOLD. Does not the gentleman think that increasing the postal rate to 2 cents on postal cards was reflected by increased postage on first-class letters or sealed mail?

Mr. MEAD. There may be something in the statement the gentleman makes, but we have no tangible way of determining that amount. There is this to say, however, about increasing first-class postage from 2 to 3 cents: Many business houses throughout the country, in order to make their letters more effective, in order to increase reader interest, now use 2-cent postage instead of 1-cent postage. They are using sealed envelopes instead of unsealed envelopes. This may force some of them to use 1-cent instead of 3-cent postage.

Increasing the rates may drive them from 3 cents to 1 cent or from sealed to unsealed envelopes such as are now used for circular mail; in this way we will not only lose volume, but revenue as well.

Mr. ARNOLD. I do not think the gentleman wants to leave the impression that increasing the post-card rate to 2 cents meant a net loss in postal revenues of \$6,000,000.

Mr. MEAD. On that item there was shown a loss of \$6,000,000, but it may have resulted, as the gentleman indicates, in increasing postal revenues in some other classification. However, Congress restored the 1-cent rate and we are now receiving more revenue from this source.

Mr. PETTENGILL. Will the gentleman yield?

Mr. MEAD. Yes. I yield.

Mr. PETTENGILL. Will the gentleman state for the information of the committee what the estimated postal deficit is for this fiscal year?

Mr. MEAD. The deficit for 1931 is \$98,000,000, and I believe for the next year it will be somewhere in the neighborhood of \$150,000,000, but, anticipating that, your Post Office Committee has increased rates for special services and new services which, together with increases granted by the Interstate Commerce Commission and ordered by the Postmaster General, will tend to reduce the deficit.

This recommendation before us comes from the Ways and Means Committee. It has been recommended by the Secretary of the Treasury. It has been recommended by the Postmaster General, and in its defense we can only say it is a temporary measure. It will continue for only two years. The experience we may gain from it may prove valuable in the future. In accepting this proposal of the committee, we at least make an attempt to increase the revenues of the Government. It may be of temporary benefit, and then in two years' time, or on July 1, 1934, we will return to the 2-cent rate. At that time, I am informed, the tax on estates and inheritances will produce greater revenues.

Mr. UNDERHILL. Will the gentleman yield?

Mr. MEAD. Yes; I yield.

Mr. UNDERHILL. If the prophecy or the anticipation of the chairman of the Committee on the Post Office and Post Roads is borne out by the results and the users of the first-class mail will be driven to using the fourth-class mail, has the committee considered seriously or has there been any opposition before the committee to doing away with the franking privilege that costs eight and a half million dollars to send newspapers free within their counties? There

is an \$8,000,000 loss in that service. Has the committee also taken into consideration the fact that the Government is doing an insurance business at less than cost, and are they going to raise those rates? Has the committee taken into consideration that it is doing, through the parcel post, an express and freight business at less than cost, and are they going to raise those rates? Above all, are they going to raise the rates on newspapers, periodicals, magazines, and other publications that are continually criticizing Congress for spending \$550,000 on the franking privilege when they are working a racket that costs the taxpayers of the country \$94,000,000? [Applause.]

Mr. MEAD. I would say to the gentleman that parcel-post rates have already been increased by the Interstate Commerce Commission. Our committee, as I said before, has presented 10 bills, most of which apply to the very items that the gentleman has mentioned. So we have attacked this postal deficit in what we believe to be a scientific way. We feel that the bills we have reported will actually raise revenue because they apply to postal services in which we are now losing money and where we feel that slight increases will not be reflected in decreased volume.

I believe the Postmaster General, the responsible head of the Post Office administration, should make such recommendations as will in his judgment equalize postal costs. The Postmaster General has since the very beginning of his administration advocated increasing first-class postage rates.

He estimates the revenues will be increased upward of \$100,000,000. We are now in an emergency period, we must increase the revenues of the Government. By our defeating the sales tax, other taxes must, of course, be offered, and while I hold that our committee is the only committee that has the right to pass on postage rates, this is a tax necessary because of conditions and therefore we can not consistently object to it as we did when it was first suggested.

Mr. HASTINGS. Will the gentleman yield?

Mr. MEAD. I yield to the gentleman.

Mr. HASTINGS. How much does the Government lose on the second-class mail matter?

Mr. LEWIS. I can give the gentleman the figures.

Mr. MEAD. I will yield to the gentleman from Maryland.

Mr. LEWIS. I can give you the figures from the Post Office Department. At the end of June 30, 1931, the receipts from second-class postal matter was \$27,427,000. The expenditures were \$124,145,000, a shortage of \$96,624,000.

Mr. HASTINGS. Does not the chairman of the Committee on Post Offices and Post Roads think there ought to be an amendment, so that it would make each class in the Postal Service pay its expenses? In other words, ought not this amendment be framed so that second-class postal matter would pay the cost of the service?

Mr. MEAD. There is no doubt but that every class of mail ought to approximately meet its cost. But the figures given by the gentleman from Maryland are taken from the cost-ascertainment report. They are not the figures that would enable us to set up proper rates. The figures and costs used by the Interstate Commerce Commission for rate making are arrived at in a different manner.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, as one member of the Ways and Means Committee, I wish to say that the report that the committee is making to-day has nothing to do with the merit of the proposition looking to a change of rates in the second, third, and fourth class postal revenue.

My colleague the gentleman from Massachusetts [Mr. UNDERHILL] has endeavored to bring that view into the picture, and so has the gentleman from Oklahoma [Mr. HASTINGS]. We are not attempting in any way, shape, or form to interfere with the jurisdiction of the Committee on the Post Office and Post Roads. The chairman of the Committee on the Post Office and Post Roads, the gentleman from New York [Mr. MEAD], has stated the case accurately. Originally the Postmaster General came before the Ways and Means Committee and we asked him to go before the Post Office Committee. Therefore, so far as the merits of the postal increase are concerned, this recommendation has

nothing to do with it, and, of course, we have no desire to interfere with the jurisdiction of the Post Office Committee. We appreciate the assistance being rendered our committee in our effort to bring before this House methods of securing additional revenue, and the chairman of the Committee on the Post Office and Post Roads, and I think the gentleman from Pennsylvania [Mr. KELLY] are both in accord with our desire to produce revenue. There has been no item in this whole program submitted to the House more against the real wish and will of our committee than this one. We appreciate the opposition that will be raised to this item and how far-reaching this item is.

Mr. UNDERHILL. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. UNDERHILL. It is not my intent, and I doubt if it is the intent of others, to handicap or criticize this committee. My purpose is to bring before Congress and before the public the racket enjoyed at the present time by a few favored people.

Mr. TREADWAY. Whether or not there is any racket I do not know. That is a handy word to use in describing anything, either for or against. I do not know anything about any racket. All we know about is the racket that we have had in trying to get some revenue for the Government. This is a handy way to do it, not that we wanted to do it; because we recognize that this is an unpopular tax, just as much so as any we could put into the bill. It does increase the revenue by \$154,000,000, \$136,000,000 by this amendment, and \$18,000,000 referred to by the gentleman from New York [Mr. MEAD]. The only racket is the racket of the Ways and Means Committee to carry out your will in an endeavor to balance the Budget. We are not advocating this increase as a matter of justice or fairness or correctness, so far as the postal rates are concerned. We are asking you to vote this amendment into the bill in order that we can report back a balanced Budget with this item and various other items.

Mr. KETCHAM. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. KETCHAM. Will the gentleman say then that the prime purpose of this is to increase the postage as a revenue measure and that it terminates by the provision of the act itself in two years' time as a revenue measure?

Mr. TREADWAY. As the chairman of the Committee on the Post Office and Post Roads has told you, it terminates July 1, 1934. It is an emergency matter pure and simple, in an effort on our part to help balance the Budget.

Mr. OLIVER of New York. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. OLIVER of New York. Does the gentleman not think it would make it popular to put President Hoover's picture on this stamp?

Mr. TREADWAY. I will answer any question that is seriously intended.

Mr. DOWELL. Is this to balance the Budget in 1933?

Mr. TREADWAY. This will help.

Mr. DOWELL. Then why extend this beyond that time?

Mr. TREADWAY. This expires with all the other emergency items. It is not permanent law.

Mr. DOWELL. As I understand it, you will balance the Budget in 1933; why extend this tax to 1934?

Mr. TREADWAY. It is July 1, 1934, only. We expect that the taxes levied in this bill will balance the Budget at that time, not next year. That is out of the question.

Mr. DOWELL. This tax should not be levied at all. This amendment increasing postal rates should not be adopted, and I hope it will be defeated.

Mr. KELLY of Pennsylvania. Mr. Chairman, a little more than a year ago I stood in this place and made an argument against the proposal to increase first-class letter postage to 2½ or 3 cents. At that time I pointed out that such an increase is entirely unjustifiable from the standpoint of the Postal Service. I stated that it would tend to reduce the volume of this class of mail, when the great need

of the service is increased volume, which at the rate of normal business would in a few years eliminate the postal deficit.

I could make just as conclusive an argument to-day from that standpoint, but that is not the question at this moment. There is vital need for the enactment of a tax measure with provisions for national revenue sufficient to give assurance that there is to be raised approximately the amount to meet current expenditures.

On the previous occasion when I discussed this question I stated on the floor that not one Member of Congress would sponsor the proposal to increase letter postage as a Postal Service provision. That was proven true by the fact that not a single Member brought before the Committee on the Post Office and Post Roads a bill for that purpose. I am sure that the same feeling exists to-day, and yet many Members, like myself, will to-day vote for this provision as an emergency tax which will expire by limitation in 1934.

Twice before in our history Congress has imposed a 50 per cent tax on the letter-postage rate. During the War of 1812 and during the World War that course was followed. An opposite policy was pursued during the Civil War, for on July 1, 1863, the rate was reduced from 5 cents to 3 cents. When it was applied in the past it was strictly a war tax and was repealed at the earliest moment possible. The same course will be followed in the present instance by the terms of this amendment itself. Without that provision I should vote against this tax, and I am sure many others would do the same.

While I feel certain that the estimate of \$134,000,000 as the result of this emergency tax is too high, there can be no doubt that it will raise a substantial sum and involve no great expense in collection. Naturally it will be unpopular, just as will other features of this tax bill, for no tax is pleasant to the one who pays it. However, this provision is better than the alternatives from a tax standpoint, and that must be taken into consideration.

Now, Mr. Chairman, the Ways and Means Committee has stated that it is counting upon \$27,500,000 in additional postal receipts from postal measures of various kinds. For the information of the Members let me read the list of these sources and the action thus far taken and the revenues estimated. They are as follows:

H. R. 273. To provide an additional fee on money orders paid at an office (passed House).....	\$20,000
H. R. 6688. To amend rates on publications of third class (reported by committee).....	500,000
H. R. 8817. To provide for fees for entry of publications as second-class matter (passed by House).....	500,000
H. R. 8818. To modify the transient second-class rate of postage (passed by House).....	500,000
H. R. 9262. To make matter deposited in letter boxes subject to postage (passed by House).....	4,000,000
H. R. 10244. To fix the fees for registered mail (passed by House).....	7,000,000
H. R. 10246. To increase money-order fees (passed by House).....	1,250,000
H. R. 10247. To fix the fees for insured and C. O. D. mail (passed by House).....	2,500,000
H. R. 10494. To provide for notification cards sent to publishers (reported by committee).....	250,000
Increase parcel-post rates through Interstate Commerce Commission.....	7,500,000
Increase size parcel post through Interstate Commerce Commission.....	5,000,000
Increase foreign-mail rates.....	8,500,000
Total.....	32,520,000

Mr. Chairman, the total postal revenues expected from these various sources are \$32,520,000, which is \$5,000,000 more than calculated by the Ways and Means Committee.

[Here the gavel fell.]

Mr. MEAD. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for five additional minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. KELLY of Pennsylvania. Mr. Chairman, I submit that the record proves that the Post Office Committee has endeavored to work out plans which, with the least possible injury to the service, would increase postal revenues. We have not made the so-called deficit the central and domi-

nant thing, for, aside from certain justifiable slight increases, the one thing needed to wipe out the deficit is increase in the volume of mail to the point of maximum efficiency. The net deficit for 1931 was \$98,000,000, and more than half of it is due to the unprecedented fall in revenues. The increase in deficit over the previous year is \$10,000,000 less than the fall in revenues, which proves that the Postal Service is still absorbing expenses and that normal costs do not rise in proportion to revenues. You will find that 1932 will show the same thing. The increase in deficit will be less than the actual fall in revenues.

We are facing conditions never known before, for there has never been a time in the long history of the Postal Service when there has been such a decrease in receipts over so long a period as at present. Three years of normal receipts will show that there is no actual deficit in the Postal Service.

Mr. ARNOLD. Will the gentleman yield?

Mr. KELLY of Pennsylvania. Yes.

Mr. ARNOLD. The revenue received from first-class mail amounts to something like \$80,000,000.

Mr. KELLY of Pennsylvania. The cost ascertainment states that the gain in first class—that is, the difference between the apportioned costs and the estimated revenues, is about \$46,000,000 for 1931.

Mr. ARNOLD. Then we will add something like \$135,000,000 more a year by reason of this increase. Now, the users of air mail get their service at a cost to the Government—which is a direct subsidy—of something like \$20,000,000 a year. Does not the gentleman think it would be much more fair to the users of the mail of this country to increase the cost of the air mail service and not put an added rate on first-class postage?

Mr. KELLY of Pennsylvania. I will say that the loss on air mail, domestic and foreign, is about \$17,000,000 for 1931, and that is not a charge against the actual postal deficit. By act of Congress that charge is segregated along with the subsidy to the merchant marine, the cost of franked and penalty mail, free in county newspapers, free to the blind, and so forth. These are policies adopted by Congress and have been set aside from true postal expenditures.

Mr. ARNOLD. But it is the yearly cost, is it not, in the Postal Service. Therefore it seems to me we might increase the air mail receipts by increasing the rate.

Mr. KELLY of Pennsylvania. The air mail law provides that the rate shall not be less than 5 cents an ounce and the Post Office Department has authority to increase that rate.

Mr. McCLINTIC of Oklahoma. Will the gentleman state whether or not his committee has made an investigation to find out whether lower rates can be secured for the carriage of the air mail?

Mr. KELLY of Pennsylvania. Yes; we have gone into that thoroughly in connection with a hearing during the past three weeks.

Mr. McCLINTIC of Oklahoma. Has any progress been made along that line?

Mr. KELLY of Pennsylvania. Not as far as present contracts are concerned, but the route certificates issued by the Department contain provisions for periodical adjustments of the rates paid to contractors. Now, just a moment more. The inclusion of a 1-cent tax on the letter-postage rate will help to provide revenues which seem to be of vital necessity in this critical time. Only on that ground can it be justified. Included in this tax bill are high levies upon large incomes and inheritances. I voted for them in the belief that ability to pay should be the controlling motive in taxation.

Let us pass this tax bill at the earliest moment possible and then face the real problem. The unbalanced Budget which is in the forefront just now is not the disease; it is only a symptom. The disease is unemployment, and it is eating like a cancer into the national fabric. Eight million American workers are idle and 20,000,000 Americans are suffering because they are unable to purchase the commodities needed for health and welfare. Business is in a state of extreme depression. Communities have been bled white for

relief work and still the paralysis continues. Prices are below the cost of production, and capital, labor, and the public pay the penalty for such a condition.

America has lost \$50,000,000,000 during 1930 and 1931 simply through the loss of wages to labor and capital. That sum does not include the losses due to depreciation in securities and real estate.

To meet such a situation requires a declaration of war against the enemy. We are admitting the situation when we levy a 50 per cent tax on letter postage, which never has been assessed save in a time of war. Let us come to grips with the unemployment which menaces national safety and security. All the tax provisions we can write will not bring in revenues unless business is restored and able and willing workers are given an opportunity to earn a livelihood for themselves and their families. We should provide such a program of public construction that it will mean greatly increased employment and help start the wheels of industry in motion. By constructive action we can help to secure controlled production and substitute fair and proper cooperation for cutthroat competition.

Let us pass this tax bill and then bend every energy and pledge every resource to the great task ahead. [Applause.]

Mr. CRISP. Mr. Chairman, I ask unanimous consent that debate on this amendment and all amendments thereto close in 40 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. SIMMONS. Mr. Chairman, we are hearing to-day the same argument that we heard two weeks ago, that the Budget must be balanced, and, therefore, you must support the Ways and Means Committee and accept this tax. That statement was repeatedly made, in effect, regarding the manufacturers' sales tax. This committee defeated it. I have no apology to anyone for the part I took in bringing about that defeat. I would do it again to-day. [Applause.]

We are now told that we must balance the Budget, and, therefore, we must accept this tax increasing letter postage 50 per cent without regard to whether or not we think it justified and without regard to whether or not something else might be put in its place.

We now have a postal deficit, and that deficit enters into the general deficit which we expect to wipe out by balancing the Budget. Likewise, the question of the postal revenues enters into the amount that must be raised to balance the Budget. We are now discussing, in effect, revenues that practically will balance the postal deficit that contributes to the deficit in the Treasury.

We are now confronted with this situation. The first-class mail, as admitted by everyone, is being handled by the Post Office Department at a profit. It necessarily follows that second, third, and fourth class mail are handled by the Post Office Department at a loss; but instead of asking the postal service that the country is receiving and is being handled at a loss to stand this increase in taxes and rates, the Ways and Means Committee asks us in the name of balancing the Budget to further tax the profitable part of the post-office business and to exempt the unprofitable part.

I can see no reason why we should say to the users of first-class mail that they must pay increased cost for this service or more than the service costs the Government to perform, in order that we may not need to tax other postal services that the Government is performing at a loss.

I am opposed to this increase in postal rates on first-class matter. I am ready to vote with the committee to increase the rates in these classes of mail that are now, as admitted by everyone, being carried at a loss and allow the users of the mail to pay for the service they are receiving rather than charge the first-class mail users more than the cost of the service which the Government renders.

I think this is a fair statement. I believe we ought to defeat this amendment. The gentleman from Pennsylvania [Mr. KELLY] has shown you where the House has already approved a series of bills that will provide more

revenues than this amendment does. Why does the Ways and Means Committee reject revenue-raising proposals for the Post Office Department that the House has already approved, and come in here and offer to us methods for raising revenue that, admittedly, are objectionable throughout the country?

Mr. RAGON. Will the gentleman yield?

Mr. SIMMONS. Yes, sir.

Mr. RAGON. The subcommittee called on the Postmaster General to send us a report on those very things, and he sent us a report that this would bring in about \$134,000,000; in other words, he set out what each of these prospective increases would mean and then the increase to be derived, and then, in addition to that, I asked him if he thought we could make a flat increase of 25 per cent on all the different classes and the Assistant Postmaster General said we positively could not. The gentleman to whom I refer is Mr. Tilton, the Third Assistant Postmaster General, who has given us every cooperation.

Mr. SIMMONS. I understand, of course, that this proposed increase of postage rates, if accepted by the Congress, and if the users of first-class mail do not boycott that use, will increase the revenues. That is not what I am talking about. I am talking about the injustice of increasing rates where the service is now paying its way rather than increasing the charges for services that are now performed at a loss. I believe that the committee are increasing rates on the wrong class of postal services.

Mr. RANKIN. Mr. Chairman, I can not support this amendment.

In the first place, the deficit is not caused by the users of first-class mail. The deficit is caused by the large newspapers and magazines.

These magazines and newspapers that have been attacking and misrepresenting Congress, and especially the Hearst newspapers that have been so malicious in their abuse, are getting a "rake-off" that is shown here to amount in all to \$97,000,000 a year.

In all fairness, if we are going to raise postage rates, let us put the postage increase where it belongs. You are going to be required to have some moral courage before this Congress adjourns. This applies to all of us and we might just as well begin now.

Why, Mr. Brisbane, the chief propagandist of the Hearst papers, said the other day that Mr. Curtis, of the Saturday Evening Post, who is 82 years old and who is now wintering in Florida, made \$12,000,000 last year. The Saturday Evening Post, I am told, owns or controls the New York Evening Post, one of those slanderous publications that has been maligning and misrepresenting the Members of Congress who opposed the sales tax. Yet magazines and newspapers of this class are getting a rake-off or a bonus of \$97,000,000 a year.

Now, we can raise this money without interfering at all with the small publications. I agree with what was said here a while ago, that if we put this 3-cent stamp on here we ought to put Mr. Hoover's picture on it. [Laughter.] I want it to go down as a memento of the failure of this administration from an economic standpoint.

But, Mr. Chairman, this is not solving the question. It is utterly impossible to balance this Budget under present conditions and keep it balanced.

Only a few months ago this very question was before the British House of Commons, under the leadership of one of the greatest economists in public life to-day, Philip Snowden. They found, though, a measure which they thought would balance the budget. They even went to the country on it and were sustained after one of the bitterest, if not the very bitterest, campaigns in British history.

When they came back they found there was an overwhelming deficit, just as you will find next year. There was only one thing to do, and that was to expand the currency and to practically go off the gold standard. That is what we are likely to have to do before Congress adjourns if we do not expand the currency and bring about a reasonable share of prosperity. If you expect agricultural prices to

come back, if you expect the price of grain and cotton and other commodities to rise in value, if you expect labor to be well paid, if you expect the channels of trade to open up, we must turn aside from the beaten path, get out from under the influence of Wall Street, now in control of the Treasury Department, expand the currency of this Nation, as did Great Britain, and bring to the American people a degree of prosperity that they have not had for years. [Applause.]

I do not know that we can defeat this amendment, but I am not in favor of penalizing the people who are already penalized and at the same time let those escape who are continually maligning Congress, sending out propaganda through the public press at the expense of the taxpayers of the United States. I sincerely trust that this amendment will be defeated. [Applause.]

Mr. LAMNECK. Mr. Chairman and ladies and gentlemen of the committee, I happen to be a member of the Post Office Committee. I am on record at home and in the committee against this increase in postage. I am not here to criticize the Ways and Means Committee for suggesting this mode of raising revenue. But I want to call attention to the conditions existing in the postal rates. As has been stated, first-class postage made a profit last year of some \$45,000,000. Second-class postage lost \$96,000,000. Third-class postage lost \$23,000,000, and fourth-class postage about the same amount.

Under the second-class rate a publisher of a magazine that is classified as second class and weighs a pound is permitted to deliver that magazine to his customer in zone 1 for 3½ cents. A publisher of a magazine that is classified as a third-class publication, in which he receives nothing from his customer, is charged 1 cent for 2 ounces. In other words, he pays 8 cents to deliver the magazine to his customer, while the publisher of a second-class magazine has it delivered to his customer for 3½ cents.

If a person ships a parcel-post package that weighs a pound, he must pay 7 cents for its delivery. I ask you where there is any justice in that sort of an arrangement.

I claim that we should not let the publishers of magazines escape, and compel the taxpayers under this amendment to go down into their pockets and pay \$96,000,000, of which these publishers receive the benefit. It is wrong in principle, not fair to other men who are paying their share.

I am not going to vote for this amendment. I wanted to call attention to the situation in regard to these publications, for some publishers are getting the service for 3½ cents and other publishers have to pay 7 and 8 cents.

Mr. BALDRIGE. Mr. Chairman, will the gentleman yield?

Mr. LAMNECK. Yes.

Mr. BALDRIGE. Has any member of the Post Office Committee any amendment to recommend?

Mr. LAMNECK. The gentleman has heard the chairman of the committee and the ranking minority member.

Mr. BALDRIGE. They have not offered any amendment.

Mr. LAMNECK. I do not think so.

Mr. BALDRIGE. Is not there any amendment fixed and ready to be offered?

Mr. LAMNECK. I do not think so.

Mr. BALDRIGE. Then all this talk does not amount to much.

Mr. BURTNESS. Mr. Chairman, will the gentleman yield?

Mr. LAMNECK. Yes.

Mr. BURTNESS. I agree thoroughly with the gentleman. The question has already been asked by the gentleman from Nebraska [Mr. BALDRIGE]. What is the gentleman's view as to the remedy for this—what can we do with reference to it and not run the chance of a further deficit?

Mr. LAMNECK. I would make the publishers of magazines pay the cost of the service.

Mr. HASTINGS. Has the gentleman's committee at this session considered any bill to raise the rates on second-class matter and reported it to the House?

Mr. LAMNECK. No.

Mr. HASTINGS. Why have you not?

Mr. LAMNECK. The gentleman better ask the chairman of the committee.

Mr. PATTERSON. Mr. Chairman, I find myself in somewhat a different attitude toward this amendment from that just expressed by the gentleman from Ohio [Mr. LAMNECK], my colleague on the committee, who preceded me in speaking upon this amendment. I do not expect to support it, regardless of what committee it might come from. This is the most nefarious and iniquitous and outrageous amendment ever offered to a revenue bill in this House, and the way it comes up here, to be considered in a few minutes, when a matter like this should have had extended debate and hearings, is not right. It is brought up here in a few minutes to be passed as a measure by the House of Representatives and seeks to raise first-class postal rates 50 per cent. I call attention to how some of these great big newspapers whined because we tried to raise the surtaxes a short 5 per cent above what they were raised in the committee bill.

Mr. BALDRIGE. Mr. Chairman, will the gentleman yield?

Mr. PATTERSON. Not now. We remember how they talked about soaking the rich because we raised them 5 per cent, but in this they propose to raise the revenue on the ordinary people, the great mass of our people, who use first-class postage, by 50 per cent. This is something that goes to every home in the country. Not only that, but this is done at a time when those people, thousands of them in my section, are not able now to buy a 2-cent stamp, with the income they get from the farms, and I refer to people who can read and who wish to write letters. Of course, any revenue that the Treasury Department, backed up by the Wall Street bankers, want to put forward is always said to yield very high. But this will retard the use of the first-class mail, and will not yield as much as they say. I take the responsibility for saying that, after studying as I have matters like this before the Post Office and Post Roads Committee, I am thoroughly convinced that this will not yield the revenue it is said that it will. Not only that, but I was glad to see the distinguished gentleman from Pennsylvania [Mr. KELLY], although I am sorry to say that he takes the position he is going to support the amendment, point out one of the real causes of our trouble. You can try to balance the Budget all you please by laying more and heavier burdens, but you will defeat some of the very things that you want to help, because this will reduce the volume of mail in this country to a surprising degree, and, as the gentleman from Pennsylvania pointed out, what we need to-day is to increase the volume of mail. He pointed out another thing that is very interesting. It is said that if we do not balance the Budget, the country is gone. We recognize the importance of taking care of the expenses, and we have been trying to provide that revenue, but to press the life out of our people and business by such levies will leave us very much worse off and produce a reaction.

Mr. McSWAIN. If this amendment should be adopted, how many letters would a pound of cotton mail?

Mr. PATTERSON. A pound of cotton will mail three letters now, and it will mail only two after this goes through.

Mr. BALDRIGE. We have heard the gentleman from Mississippi [Mr. RANKIN], and the gentleman from Alabama [Mr. PATTERSON] viciously attack the sales tax.

Mr. PATTERSON. Yes; and this is just as vicious, and I have no apology to offer for attacking the sales tax. And this is equally vicious, and I am being consistent. I am opposing it, and I have opposed and voted for other amendments which the committee offered.

Mr. BALDRIGE. The chickens have come home to roost, and now you are facing something worse than the sales tax. What have you to offer in place of it?

Mr. PATTERSON. I will say to the gentleman, we have been suggesting and supporting substitutes such as large inheritance taxes, gift taxes, and taxes on business on the stock exchange. Our committee is studying now, and we have also passed certain legislation to take up the postal

deficit. We are working on other legislation, and we will bring in other legislation to help the situation, but it is not fair to put this tax on now. I shall only say here that these stock manipulators can not scare me by working a stock ticker. Their whole effort is to put the burden of taxation on the masses and I am against it and hope the amendment will be defeated. [Applause.]

The CHAIRMAN. The time of the gentleman from Alabama has expired.

Mr. WITHROW. Mr. Chairman, I rise to protest against cramming through this increased postage rate on the false assumption that the Budget must be balanced. In the name of the working man and the farmer, who are the users of first-class mail, and in the name of the small manufacturer and the small business man who, in these abnormal times, is dependent on the first-class mail service, I sincerely hope that this amendment will be defeated.

The handling of first-class mail has always been a source of profit to the Government—for years first-class mail has been helping to pay for the handling of all other classes. The users of the first-class mail service, and that means every person in the United States, have been paying more than their share for years, while such classes of mail as are used by the periodicals, for example, have resulted in a deficit for last year alone amounting to \$96,000,000.

To allow an increase of from 2 to 3 cents in the first-class rate, gentlemen, is to push thousands of our small manufacturers and jobbers out of business and into bankruptcy. The small business man can no longer afford to keep his salesmen on the road and thousands are still struggling along by keeping contact with their customers through the use of first-class mail. If you increase this postage rate, gentlemen, then you are directly responsible for the failure of thousands of our small business men—thousands of the little fellows who are barely able to get along now.

Experts have estimated that \$135,000,000 will be raised by reason of this increased postage. The Postmaster General says it may raise \$100,000,000. The Committee on Ways and Means says it will raise approximately \$35,000,000. Nobody knows how much money it will raise. In the few months I have been in Washington I have learned that every man in Washington is an expert and everyone who comes into my office claims he is an expert. That does not mean a thing to me. Your guess and my guess will be just as good as their guesses on this question.

In regard to this increased postage, six years ago the rate on postal cards was increased from 1 cent to 2 cents. The Treasury Department at that time said that it would raise \$20,000,000 as compared with \$10,000,000 at the 1-cent rate. The increase was put into effect and what happened? We found that the revenue collected was only \$6,000,000, or \$4,000,000 less than was collected when we had the 1-cent rate and \$14,000,000 less than was estimated. Then the 1-cent rate was promptly put back. That resulted in an increased use of postal cards, and the volume stepped up again to normal.

Likewise, at first the charge for an air mail stamp was 10 cents. That rate was cut 50 per cent, to 5 cents. And, gentlemen, we raised twice as much revenue as was collected by charging 10 cents per air mail letter. I realize that some of that volume was brought about by reason of opening up other air mail lines and developing them, but I say the one basic factor in realizing more revenue, gentlemen, was because this rate was reduced 50 per cent.

Now, gentlemen, we must take this into consideration: First-class mail attracts second-class mail; likewise, second-class mail attracts first-class mail. You strike at first-class mail and ruin its volume and you necessarily cut down the volume of second-class mail.

The increase in this tax will cut down the volume of all mail, and it will not yield as much revenue as has been estimated.

First-class mail is the only class of mail which can be used by the farmer and the workingman, and an increase in this rate of postage will be a direct hardship on the farmer and

the workingman. Gentlemen, we have already reached and passed the limit to which we can tax these people. To tax them further will spell disaster.

It would not be wise, and there is no necessity for more taxation this year. What necessity drives us to balance the Budget this year? Was there not the same necessity in 1931, when there was a deficit of \$903,000,000? Was there not the same necessity in 1932, when there was a deficit of \$1,711,000,000? The only reason for balancing the Budget that I have heard is the fact that Government bonds are selling below par; but Government bonds have been selling below par for a long time, and even that should not be a reason compelling enough as to drive us to place a still heavier burden of taxation on the farmer and the workingman.

It is true that Government bonds are selling below par but only about 5 per cent of our people own Government bonds. Our farmers and our workingmen and our unemployed are not able to own Government bonds, and I am not willing that the farmer and the workingman should be crushed and ruined in order that Government bonds shall again sell at par. The 5 per cent in this country who own bonds are not the real sufferers. The real sufferers are the 95 per cent who never did own bonds or who were forced to sell them, most of whom are in dire need of the bare necessities of life.

[Here the gavel fell.]

Mr. CELLER. Mr. Chairman, I shall vote for this amendment increasing the postage-stamp rate, because I feel the committee is in all justice entitled to the fairest consideration in offering this as a means of raising additional revenue. I do, indeed, vote for it, reluctantly. I vote for all taxes, reluctantly. But patriotism requires the raising of sufficient revenues to balance our Budget.

However, I want to call the attention of the members of the Post Office and Post Roads Committee to some other means by which additional revenue might be obtained and which will go far to make up the increased and increasing deficit of the Post Office Department.

There ought to be some means whereby an additional payment should be made upon a stamp called a nonlocal stamp. Certainly a letter that travels a short distance should bear a lower rate than a letter that travels a greater distance. Recommendations of that sort have already been made by the Postmaster General and, in my humble opinion, I commend the suggestion to the members of the Post Office Committee. It might be a means of raising additional revenue.

In some cases the Post Office Department pays very high rents whereas by owning the buildings savings could be effected. Many of the superannuated employees in the Post Office Department should be retired, thereby making for greater efficiency and the saving of money. I firmly believe that in the department known as the postal savings department there should be a means whereby depositors could deposit \$5,000 instead of the present limit of \$2,500.

The Government makes a gross of one-half of 1 per cent on all postal-savings deposits. The amount of moneys in the postal savings bank is now unprecedented. It is beyond one-half billion dollars. The depositor receives from the postal savings bank 2 per cent interest. The banks into which the moneys are redeposited must pay the Government, in return for the deposit, two and a half per cent interest. There is a gross profit, therefore, to the Government or to the Post Office Department of one-half of 1 per cent.

I venture the assertion, and I have the backing of the Postmaster General and the Director of the postal savings bank in this regard, if this amount were lifted to \$5,000 as the permissible amount there would be over \$1,000,000,000 in the postal savings bank and the gross revenue from that source might well, therefore, be doubled. Instead of having one-half of 1 per cent gross profit on one-half billion dollars, we would have a gross profit of one-half of 1 per cent on \$1,000,000,000.

Mr. COLE of Iowa. Will the gentleman yield?

Mr. CELLER. Yes.

Mr. COLE of Iowa. What effect would that have upon bank deposits?

Mr. CELLER. It would have no effect upon bank deposits, but would have a tendency to draw money out of hoarding. The money that goes in the postal savings bank does not otherwise go into any bank. Postal Savings is the greatest magnet to draw money from mattresses, socks, and hollows of trees. This has been proven time and time again. The Postmaster General has also requested this increase in the permitted amount from the present \$2,500 to \$5,000.

I have another recommendation to make that is rather unusual, but these are unusual times and we are facing an emergency. Why could not the Postmaster General have the right to use the gum side or the reverse side of stamps for the purpose of advertising? This may sound bizarre and unique and strange to you, but many countries use stamps for advertising purposes. France, Germany, and New Zealand, I am told, sell the marginal space on stamp sheets to private enterprises for advertising their commodities. Bavaria and Italy have doubled the size of their stamps and sold the additional space to private concerns for advertising purposes. For example, the Singer Sewing Machine Co. purchased and used space on Italian stamps.

Other countries have used the back of stamps for the printing of advertisements. Some New Zealand stamps have had on the back thereof advertisements, such as Beecham's pills, Sunlight soap, and other advertisements for clothing, coal, canned pickles, and so forth. Brazil, Salvador, Costa Rica, and Guatemala vie with each other in stamp advertising, particularly boasting that they raise the best coffee. Cancellation stencils are also used by various countries for advertising purposes. Great Britain uses the slogan that "British goods are best." Our own Government has often used this medium for slogans, such as "Use air mail. It saves time." "Join the Red Cross." "Buy Liberty bonds." "Address your mail correctly."

We have been using the mails for advertising and propaganda purposes ever since the days of Franklin. Franklin, the first Postmaster General of the Colonies, at the threshold of the Revolutionary War, changed his frank from "Free B. Franklin" to "B. Free Franklin."

We have often used stamps to educate our children on matters of great moment in the annals of the Nation. We advertised the Lindbergh flight with a stamp. We advertised the Edison invention of an incandescent lamp with a stamp. We have directed attention to various expositions held in various cities at various times by means of stamps. I have a stamp before me advertising the National Philatelic Exhibition held in New York in 1926. This was a purely private enterprise, unrelated to the Government. For many other purposes to which stamps are put and used, see recent volume by Sigmund I. Rothschild, published by Putnam's, entitled "Stories Postage Stamps Tell."

Stamps, therefore, having often been used for advertising and educational purposes, there is no reason why the Government could not get additional revenue therefrom. If the merchant has something to tell, let him tell it in part on a postage stamp, or on the margin or back thereof. Manufacturers of nationally advertised products would quickly avail themselves of this opportunity.

[Here the gavel fell.]

Mr. LAGUARDIA. Mr. Chairman, up to a few days ago we had a rather pleasant task as long as we were opposing taxes, but that brought with it certain responsibilities that we as legislators can not now escape.

The question now before us can not be considered as a postal matter at this time. Therefore all the discussion about the various classes of postal service is not germane now. This increase in postage is simply brought before us as an arbitrary, unpleasant, necessary source of revenue. It is the only source of revenue in this bill that will not cost a single penny to administer, and it is also one that can not be evaded.

Taking any one of these items which we have considered to-day, by and of itself, gentlemen, I will concede that it is irksome and unpleasant, but you must take this proposition and compare it with the other proposition which we had before us.

In this instance, what is the alternative? Either raising \$135,000,000 without any expense of administration or else putting an additional tax on gasoline or having a stamp tax on checks.

Mr. BACHMANN. Will the gentleman yield?

Mr. LA GUARDIA. No; I am sorry I can not yield.

It seems to me in the face of these alternatives, confronted with the dire necessity of raising revenue, there is little choice in the matter.

There has been so much said about the cost of second-class mail that I want to submit that, after all, these estimates are theoretical. They are simply arbitrary estimates made by the Post Office Department. As has been said, second-class mail stimulates first-class mail. Every class of mail contributes to the gross income. Second-class mail is an American institution which has done more to cement the country than any other one factor. I remember when I was a boy way out West, if it had not been for the second-class mail institution we would have had no magazines, papers, periodicals, and no reading matter out there at all.

I was on the Post Office Committee of this House years ago, and I may say if there is any opposition with respect to second-class mail matter, we have a legislative committee and we can consider it in a proper way. At this time the amendment before us is purely a revenue matter.

Now, I am willing to take my share of the criticism and responsibility of urging this one source of revenue. It is necessary at this time. It will not lessen the volume of mail at all.

Why, I received protests to-day, Mr. Chairman, from some of the very people who asked me to vote against a sales tax. To-day they were wiring me to vote against the postage increase. We can not do it all, and as I said before, having had the fun of tobogganing downhill, now we have got to drag the sled uphill. We must face the situation like men, and I am for the amendment proposed to the bill. [Applause.]

Mr. STAFFORD. Mr. Chairman, this is a practical question. Last year we received \$27,000,000 from second-class mail. It is proposed by the opponents to increase second-class postage 25 per cent, and all that would be added would be five and a half million dollars. From third-class mail we received \$58,000,000 last year, and it is proposed to increase that 25 per cent, and \$15,000,000 would be added from that source, or a total altogether from these two sources of \$20,000,000.

We have to find some means of raising over a hundred million dollars. We are at the crossroads of the question of whether we are going to balance the Budget. There is raised from the first-class postage \$335,000,000. An increase of 1 cent on letter mail other than drop letters is estimated to yield over a hundred million dollars.

Other countries have raised their first-class postage. Canada has a 3-cent letter rate; so has Great Britain, Germany, France, and other countries.

Let me say to these country Members, that this burden is going to be largely borne, not by the rural districts, but by the large mercantile centers, which contribute at least 75 per cent of the revenues of first-class postage. Let me emphasize again that this burden is on the commercial sections of the country, which contribute from 75 to 80 per cent of the first-class postage. The rural communities only contribute about 20 per cent. The industrial and commercial centers will bear the burden of most of this large additional revenue.

Now, what is the postal deficit? In 1930 it was \$98,000,000. In the last fiscal year it was \$146,000,000, a jump of \$50,000,000, and it is a conservative estimate with the decline of postal business that this present fiscal year it will be \$200,000,000.

It is fundamental in all economic propositions that each service should bear its own expense. Why, gentlemen, 20 years ago there was a bill to increase second-class mail postage recommended by the Postmaster General, and all the periodicals opposed it, all second-class publications opposed

it, and that proposal which was supported by President Taft more than anything else cost him his election.

It is easy enough to get up here and raise your voice against the Hearst papers and periodical publications, but you should realize that only 18 per cent of the second-class matter—newspapers and periodicals—moved by the mails, and 47 per cent by baggage cars, and 35 per cent by other modes of conveyance.

This is the only way to raise this additional revenue. The Postmaster General and his assistants say that this is the only practical way. It may cost me much for my advocacy, but after I voted and opposed the sales tax I believe that it is necessary in order to balance the Budget to support practical though unpopular proposals, and this is the only practical means of securing this large amount from the Postal Service.

As I have said, the burden of this increase of first-class postage is on the cities and not on the rural population. If other countries have found it necessary to increase the postal revenue by raising the first-class postage from 2 to 3 cents, why should not we do so in the face of a \$200,000,000 postal deficit for the present fiscal years. Let us rise to the occasion by putting duty first in the consideration of this troublesome question to make ends meet. [Applause.]

[Here the gavel fell.]

Mr. JACOBSEN. Mr. Chairman, I think I can prove to the gentlemen that the advance in first-class postage will not give us the increase in revenue that has been suggested. The third-class mail which comes to your desk is mostly mimeograph or multigraph mail. At least 50 per cent of the mail that comes to your desk is mail of this character. When I was a postmaster this was mailed for 1 cent. This was increased to a cent and a half for 2 ounces. The advertisers at that time said that if it cost them a cent and a half to mail this advertising they would mail it under the first-class rate, seal it, and pay 2 cents, then at least the people would read the mail instead of throwing it into the waste-paper basket. I venture to say that at least 50 per cent of the mail, and the gentleman from Wisconsin says 70 per cent, that comes from the big cities is advertising matter. They will drop back to a cent and a half.

I would not oppose this amendment if I thought that it would raise additional revenue. I venture to say that not less than 50 per cent of the letters that now go through the mail are advertising matter, such as mimeograph and multigraph.

These can go in unsealed envelopes for 1½ cents, and if the rate is raised to 3 cents, the advertiser who sends out these letters by the thousand and hundred of thousands will mail them at the 1½-cent rate.

My claim is that of every hundred letters mailed at least 50 of them would be sent at 1½ cents and would yield 75 cents, whereas the other 50 would at the 3-cent rate yield \$1.50, or a total of \$2.25 for the hundred letters that now bring \$2 revenue.

It can readily be seen that instead of bringing \$1 more the increase in postage rate would only be increased 25 cents per hundred.

The CHAIRMAN. The time of the gentleman from Iowa has expired. All time has expired. The question is on agreeing to the committee amendment.

The question was taken; and on a division (demanded by Mr. CRISP) there were—ayes 147, noes 63.

Mr. SCHAFER. Mr. Chairman, I demand tellers.

The CHAIRMAN. The gentleman from Wisconsin demands tellers. All in favor of ordering tellers will rise and stand until counted. [After counting.] Three Members have risen, not a sufficient number. Tellers are refused.

So the amendment was agreed to.

Mr. VINSON of Kentucky. Mr. Chairman, I offer the following committee amendment which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. VINSON of Kentucky: Page 93, line 15, after "year" and before the comma, insert: "after the taxable year 1933."

The CHAIRMAN. The question is on the amendment.

The amendment was agreed to.

Mr. VINSON of Kentucky. Mr. Chairman, I offer the following amendment which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. VINSON of Kentucky: Page 94, strike out lines 4 to 11, both inclusive, and insert in lieu thereof the following:

"(d) Net losses for 1930 or 1931: If for the taxable year 1930 or 1931 a taxpayer sustained a net loss within the provisions of the revenue act of 1928, the amount of such net loss shall not be allowed as a deduction in computing net income under this title."

Mr. STAFFORD. Mr. Chairman, will the gentleman explain that?

Mr. VINSON of Kentucky. Mr. Chairman, under existing law net losses may be carried over two years. Under the committee bill net losses could be carried over one year. With the amendments that have been adopted together with the one now pending, net losses are eliminated from being carried over at all. In other words, for the calendar years 1931, 1932, and 1933 net losses can not be carried over, but when 1934 comes net losses may be carried into 1935.

Mr. STAFFORD. So that the net losses have to be taken in the year when the losses occur?

Mr. VINSON of Kentucky. That is correct.

The CHAIRMAN. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. MCGUGIN. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment by Mr. MCGUGIN: Page 229, after line 8, insert the following:

"Every person, firm, or corporation operating a store or stores engaged in the business of retailing to the public groceries, tobacco, hardware, drugs, dry goods, clothing, automobile tires, meats, or household furniture, shall obtain from the Government of the United States an annual license, which license shall be obtained from the collector of internal revenue of the district where said store is operated."

Mr. VINSON of Kentucky rose.

The CHAIRMAN (interrupting the reading). Does the gentleman from Kentucky wish to interpose a point of order?

Mr. VINSON of Kentucky. Yes. I make the point of order that the amendment is not germane.

The CHAIRMAN. The Chair has heard enough of the amendment read to clearly develop its nature. The Chair sustains the point of order.

Mr. CRISP. Mr. Chairman, in the authority granted the Committee on Ways and Means to return to any part of the bill to offer amendments, we were not granted authority to go forward in the bill to consider any matter. There are some special taxes in title 5 on admissions, telegraph, and so forth, that I would like to dispose of this afternoon. I ask unanimous consent that the committee may offer committee amendments to title 5.

Mr. CELLER. That includes the admission taxes?

Mr. CRISP. Yes.

The CHAIRMAN. The gentleman from Georgia asks unanimous consent that the committee may submit amendments to title 5 of the bill this afternoon. Is there objection?

Mr. SCHAFER. Mr. Chairman, I shall object unless each individual Member has the same authority as the committee.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

Mr. SCHAFER. I object.

Mr. CRISP. Mr. Chairman, then I submit another unanimous-consent request which I think will meet the gentleman's objection—that we proceed to read title 5. That will give every Member an opportunity to offer amendments.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

Mr. CELLER. Mr. Chairman, reserving the right to object, the gentleman from Massachusetts [Mr. CONNERY] has

a very important amendment which he wishes to offer to the admissions-tax section. I hope the chairman of the committee will aid me in offering that amendment in the interest of Mr. CONNERY, who has been unavoidably detained in Boston to-day.

Mr. CRISP. I do not know anything about the amendment.

The CHAIRMAN. Is there objection?

There was no objection.

The CHAIRMAN. The Clerk will report title 5 of the bill.

The Clerk read as follows:

(2) A tax equivalent to 10 per cent of the amount paid on or after such date to any telegraph or telephone company for any leased wire or talking circuit special service furnished on or after such date. This paragraph shall not apply to the amount paid for so much of such service as is utilized (A) in the collection and dissemination of news through the public press, or (B) in the conduct, by a common carrier or telephone or telegraph company, of its business as such.

Mr. CRISP. Mr. Chairman, I offer a committee amendment.

The CHAIRMAN. The gentleman from Georgia offers a committee amendment, which the Clerk will report.

The Clerk read as follows:

Committee amendment offered by Mr. CRISP: Page 251, line 9, after "date," insert the following: "and before July 1, 1934."

Mr. CRISP. Mr. Chairman, the only effect of that amendment is to make this special excise tax on telegrams expire by operation of law on July 1, 1934.

The committee amendment was agreed to.

Mr. CRISP. Mr. Chairman, I offer the following committee amendment.

The CHAIRMAN. The gentleman from Georgia offers a committee amendment, which the Clerk will report.

The Clerk read as follows:

Committee amendment offered by Mr. CRISP: Page 251, line 18, strike out "such date" and insert in lieu thereof the following: "the fifteenth day after the date of the enactment of this act."

Mr. CRISP. Mr. Chairman, that is a part of the other amendment. It makes this provision apply on the fifteenth day after the date of the enactment of this act.

Mr. CROWTHER. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. CROWTHER. As a matter of information, would the language here refer to the leased-wire rates?

Mr. CRISP. I have some amendments to cover that proposition.

The committee amendment was agreed to.

Mr. CRISP. Mr. Chairman, I offer another committee amendment.

The CHAIRMAN. The gentleman from Georgia offers a committee amendment, which the Clerk will report.

The Clerk read as follows:

Committee amendment offered by Mr. CRISP: Page 251, line 20, after "date," insert the following: "and before July 1, 1934."

The committee amendment was agreed to.

Mr. CRISP. Mr. Chairman, I offer the following committee amendment.

The CHAIRMAN. The gentleman from Georgia offers a committee amendment, which the Clerk will report.

The Clerk read as follows:

Committee amendment offered by Mr. CRISP: Page 251, line 25, after "company," insert "or radiobroadcasting station or network."

Mr. CRISP. Mr. Chairman, the amendment explains itself. It simply exempts broadcasting companies.

The committee amendment was agreed to.

The Clerk read as follows:

(b) No tax shall be imposed under this section upon any payment received for services or facilities furnished to the United States or to any State or Territory, or political subdivision thereof, or the District of Columbia. The right to exemption under this subsection shall be evidenced in such manner as the commissioner with the approval of the Secretary may by regulation prescribe.

Mr. CRISP. Mr. Chairman, I offer the following committee amendment.

The CHAIRMAN. The gentleman from Georgia offers a committee amendment, which the Clerk will report.

The Clerk read as follows:

Committee amendment offered by Mr. CRISP: Page 252, line 4, strike out the period and insert in lieu thereof a comma and the following: "nor upon any payment received from any person for services or facilities utilized in the collection of news for the public press or in the dissemination of news through the public press, if the charge for such services or facilities is billed in writing to such person."

Mr. CRISP. Mr. Chairman, that simply broadens the exemption. Under the bill as written certain press services, where they had leased lines, were exempted. There were many of the smaller newspapers which did not have these leased wires, and this is to give them the same exemption when the correspondents send in news.

Mr. WHITE. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. WHITE. Does that apply to radio stations in the same way?

Mr. CRISP. The amendment preceding that applied to radio stations.

Mr. WHITE. I know it did; but when there are leased wires, would the same condition obtain here?

Mr. CRISP. No; it would not. The radio stations were given the same benefits as to leased wires that were given to newspapers.

Mr. PATTERSON. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. PATTERSON. I understand this makes all news wires and news exempt.

Mr. CRISP. Yes. Where newspapers have correspondents around the country and they telegraph news in to their papers collect, that is exempt from paying the 5 and 10 cent tax.

Mr. PATTERSON. Does the gentleman feel that is necessary, when you take into consideration private wires?

Mr. CRISP. In my judgment, it is. However, people differ, and the gentleman, of course, has just as much right to his opinion as I have to mine. It has never been the policy of the Government to tax those news agencies that disseminated knowledge and information in the interest of all the people.

Mr. PATTERSON. Does the previous amendment put the broadcasting stations on a parity with the news services?

Mr. CRISP. When they have leased wires; yes.

Mr. RAGON. It applies where they put wires into a church, at a football game, or a baseball game. When the radio stations do that they incur a large expense, and this is for the purpose of relieving them of this tax.

Mr. PETTENGILL. Is it the intention of the committee that the last amendment exempts everything that is known as press wires?

Mr. CRISP. That is my intention, and the amendment was so intended.

Mr. PETTENGILL. Mr. Chairman, I ask unanimous consent that the amendment may again be reported for the information of the committee.

The Clerk again reported the amendment.

The committee amendment was agreed to.

Mr. CRISP. Mr. Chairman, I offer the following committee amendment.

The Clerk read as follows:

Committee amendment: Page 251, line 22, strike out all after "utilized" down through "(B)," in line 24.

Mr. CRISP. Mr. Chairman, this is simply a technical amendment which is offered in line with the amendment which the committee has just adopted.

Mr. SMITH of Idaho. Mr. Chairman, will the gentleman yield for a question?

Mr. CRISP. Yes.

Mr. SMITH of Idaho. Has any consideration been given to the fact that leased wires covering a long distance should have some special consideration? For instance, a broker's leased wire from New York to the Pacific coast would be quite expensive, and if they were not maintained might separate the eastern markets from the western markets.

Mr. CRISP. The only consideration given would be based on the price of the telegram itself. A telegram sent for a long distance has higher toll charges, and under the provisions of the bill, where the message is under 50 cents, the tax is 5 cents and when it is over 50 cents it is 10 cents.

Mr. SMITH of Idaho. Of course in the case of a leased wire it is generally not based on distance entirely.

Mr. CRISP. On a leased wire the tax is 10 per cent of the cost of the leased wire.

Mr. WHITE. And the gentleman's previous amendment takes care of exemptions of newspapers, the gentleman feels sufficiently in respect to all their messages?

Mr. CRISP. It is so intended.

The committee amendment was agreed to.

The Clerk read as follows:

(c) Any person making a refund of any payment on which tax under section 701 has been collected may repay therewith the amount of tax collected on such payment, and the amount of tax so repaid may be credited against the tax under any subsequent return under section 702.

Mr. CRISP. Mr. Chairman, I offer the following committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. CRISP: Page 253, after line 24, insert a new section, as follows:

#### "SEC. 704. REGULATIONS

"The commissioner, with the approval of the Secretary, shall prescribe and publish all needful rules and regulations for the enforcement of this part."

Mr. HAWLEY. Mr. Chairman, I would like to ask the chairman of the committee why the last word in the amendment, "part," should not be "subsection"?

Mr. CRISP. The legislative expert advises me he did not think that was right. This is a part of this subtitle.

Mr. HAWLEY. This refers to rules and regulations to be made for the enforcement of subsection (c).

Mr. CRISP. I will say to the gentleman from Oregon that this is title 5, miscellaneous taxes, and it says, "Part I. Tax on telegraph, telephone, radio, and cable facilities," and this amendment gives them authority to make rules and regulations to collect the tax provided in this Part I, and this is just identifying that portion of the bill.

The committee amendment was agreed to.

The Clerk read as follows:

#### PART II—ADMISSIONS TAX

##### SEC. 711. ADMISSIONS TAX

(a) Paragraph (1) of section 500 (a) of the revenue act of 1926, as amended, is amended to read as follows:

"(1) A tax of 1 cent for each 10 cents or fraction thereof of the amount paid for admission to any place, including admission by season ticket or subscription, to be paid by the person paying for such admission; except that in case the amount paid for admission is less than 25 cents, no tax shall be imposed. An equivalent tax shall be collected on all free or complimentary tickets or admissions to a wrestling match, prize fight, or boxing, sparring, or other pugilistic match or exhibition and the tax shall be on the amount for which a similar seat or box is sold at the said match or exhibition. Amounts paid for admission by season ticket or subscription shall be exempt only if the amount which would be charged to the holder or subscriber for a single admission is less than 25 cents."

Mr. CRISP. Mr. Chairman, I offer a committee amendment. It is just one amendment, although there are two things involved in it.

The Clerk read as follows:

Committee amendment offered by Mr. CRISP: Page 254, line 10, strike out "25 cents" and insert "46 cents." Page 254, line 19, strike out "25 cents" and insert "46 cents."

Mr. CRISP. Mr. Chairman, this is an amendment in which the House has been much interested. The effect of the committee amendment is to remove from any admission tax any admission where the cost is 46 cents or less.

The effect of the amendment is to lose \$50,000,000 from the bill as brought in, making all admissions over 25 cents pay a tax.

Responsive to what they believed to be the will of the House in this respect, the committee has recommended to you this amendment, and we have sought the best we could

to try to make up the revenue lost by the enlargement of the exemption price.

Mr. PATTERSON. Mr. Chairman, will the gentleman yield to me?

Mr. CRISP. Yes.

Mr. PATTERSON. I think most of us are in sympathy with this amendment, but I want to ask the gentleman whether school football matches, and so on, are exempted from the payment of this tax or would they be included?

Mr. CRISP. Where there is any profit they would have to pay the tax, but the price for practically all of the school entertainments is less than 46 cents. If it is more than that, in this emergency I do not think they are penalized if they pay 5 cents to their Government to balance the Budget.

Mr. WRIGHT. Will the gentleman yield?

Mr. CRISP. I yield.

Mr. WRIGHT. I am curious to know how the committee arrived at the figures 46 cents instead of 45 cents or 50 cents or 40 cents.

Mr. CRISP. I can answer the gentleman. If you put the price 47 cents or 48 cents, they might reduce the price of admission so as to escape the tax. Therefore, we left this gap in there of 46 to 50 so as to prevent them from doing that. If you said 50 cents, they might reduce the price to 49 cents and not pay any tax.

Mr. McCORMACK. Will the gentleman yield?

Mr. CRISP. I yield.

Mr. McCORMACK. I might say that I had previously served notice I intended to submit an amendment exempting admissions up to and including 50 cents, but the committee amendment is perfectly agreeable and I think meets the entire situation. I have talked with representatives of the industry who came to me as a result of the notice I had given, and they are perfectly satisfied with the committee amendment.

Mr. ARENTZ. Do I understand the gentleman to say that admission to football games and baseball games, where the proceeds go to the university or high school, are exempt, or not exempt?

Mr. CRISP. Under the present law, they are exempt. Under this law they would be taxed.

Mr. JOHNSON of Texas. I understand the amendment to the present bill does not exempt high schools.

Mr. CRISP. High schools are exempt.

Mr. LaGUARDIA. I think it is only fair to say that we expect that the 50-cent movie houses to be sports enough to charge 50 cents, so that the Government can get the tax.

Mr. JOHNSON of Texas. I want to say to the gentleman that I have had some criticism of the bill for its failure to exempt admission fees to athletic events of colleges and universities.

Mr. CRISP. So have I; to every feature of it. [Laughter.]

Mr. JOHNSON of Texas. I spoke to the acting chairman of the committee yesterday about this matter. I would like to ask the gentleman if it would seriously affect the committee's program if exemptions should apply to colleges that receive admissions from athletic games and such receipts are used solely for the support of athletics in those institutions?

Mr. CRISP. Personally, I think the bill ought to stand as it was provided in the first place, 25 cents exemption. It is broad, spread over the whole country, and is not burdensome; but in deference to what we deem to be the wishes of the House, we agreed on this amendment. I do not believe university or college athletics, where they charge a large admission, ought to be exempt.

Mr. BOILEAU. How about admissions to agricultural fairs?

Mr. CRISP. They are exempt, as under the present law.

Mr. TREADWAY. Will the gentleman yield to me?

Mr. CRISP. I yield.

Mr. TREADWAY. I think there is a little confusion in the mind of Members in reading the paragraph and in knowing what the old exemption was. We have, as I understand it, taken up the old exemption list, now in the law, the paragraph applying to admissions, putting a tax on admis-

sions, in games held by colleges, and the Military and Naval Academies.

Mr. CRISP. That is correct, and high schools and secondary schools are exempt. But we thought the universities and colleges, including Annapolis and West Point, should pay the tax.

Mr. EATON of Colorado. You have placed the tax on all free or complimentary tickets or admissions to a wrestling match, prize fight, boxing, sparring, or other pugilistic match or exhibition, but you have not put them on complimentary tickets to theaters or baseball games.

Mr. CRISP. If gentlemen will wait until that section is read, they will find that an amendment will be offered. We have an amendment making them all taxable.

The CHAIRMAN. The question is on the committee amendment.

The question was taken, and the committee amendment was agreed to.

Mr. CRISP. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Committee amendment offered by Mr. CRISP: Page 254, line 10, strike out all after the period down to and including the period in line 16 and insert in lieu thereof the following:

"In the case of persons (except bona fide employees, municipal officers on official business, and children under 12 years of age) admitted free or at reduced rates to any place at a time when and under circumstances under which an admission charge is made to other persons, an equivalent tax shall be collected based on the price so charged to such other persons for the same or similar accommodations, to be paid by the person so admitted."

Mr. CRISP. Mr. Chairman, the effect of this is to tax all complimentary admissions to these entertainments where a person has had a complimentary ticket given him, except bona fide employees, municipal officers on official business, and children under 12 years of age. They are exempted from paying the tax. The committee felt that people who were given complimentary admission tickets were fortunate, and that while taxing others we should compel these to at least pay the amount of the tax to the Government.

Mr. WHITE. I wonder if the gentleman would mind inserting in there members of the press as well?

Mr. CRISP. I must stand on what the committee has recommended.

The CHAIRMAN. The question is on agreeing to the committee amendment.

The amendment was agreed to.

Mr. CELLER. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. CELLER: Page 254, line 16, before the word "amount," strike out the period, insert a semicolon, and add: "Provided that in the case of legitimate spoken drama, if the amount paid for admission is less than \$3, no tax shall be imposed. As used in this subdivision, the term 'legitimate spoken drama' means a spoken play, whether or not set to music or with musical parts or accompaniments, which is a consecutive narrative interpreted by a single set of characters, all necessary to the development of the plot, in two or more acts, the performance consuming more than 1 hour and 45 minutes of time; but such term does not include a revue, burlesque, or extravaganza."

Mr. CELLER. Mr. Chairman, this amendment was to be offered by our colleague from Massachusetts [Mr. CONNERY], but he was compelled to leave for Massachusetts, and he asked me to present the amendment in his stead. We offer it most seriously. The amendment has been very difficult to draft. We attempt to take out of the committee admission-tax provisions the spoken drama. The present law taxes the legitimate drama on admissions above \$3 at the rate of 10 per cent. I have consulted the legislative counsel, and he has advised me that the verbiage of the Connery amendment just offered is the exact verbiage of an exception put into the 1926 revenue act which you adopted. Unfortunately the amendment was lost in the shuffle in the Senate. I am sure most of the members of the Ways and Means Committee are in sympathy with this amendment. I ask that no heavy hand be placed upon the drama. I

think you will all agree with me that there is no greater vehicle for carrying cultural and educational messages to the great mass of our people than the drama. Life is nowhere better expressed than in the theater. There we see the mirror held up to nature; there we see ourselves as others see us. One could go on in this strain for a long while, but I am sure I need not dwell longer in that respect. Suffice to say that if we give motion-picture privileges, certainly we should do no less for the spoken drama. For example, most of the theaters in New York are closed. Now you oppress with extra burdens of taxes those remaining open. In 1929 we raised by taxes on prize fights, sports, games, and the theater about \$4,000,000. That was reduced in 1931 to about \$2,000,000. It will be less than \$1,000,000 this year. It is probable that the theaters will contribute less than \$500,000. Under the present act they are exempt when the admissions are under \$3. Five hundred thousand dollars is not very much to take out of this bill. By doing so you will be giving a boon to drama. It most assuredly needs help—not taxes. You will not exempt by the wording of this amendment such performances as the Ziegfeld Follies, the Earl Carroll Vanities, or George White's Scandals, or any burlesque or vaudeville performance, but you will take care of productions like Maude Adams and Otis Skinner in the Merchant of Venice, plays like Cyrano de Bergerac, and all the serious productions. If you pass the bill as the committee has drawn it, you will deal a deathblow to the drama beyond question. They can not be taxed any further.

Daily we read in the newspapers of the large theatrical organizations going into the hands of equity receiverships or bankruptcy.

The drama is the art of widest appeal. Older nations than ours, realizing to the fullest this important fact and seeing in it a potent instrumentality for the enlightenment of its masses, have nurtured and encouraged, by subventions and subsidies, the native drama. We, a younger civilization, have yet to learn this. Nowhere outside of the United States is the theater or the opera taxed. We seem to hurt where we should help. We tax where we should pay and encourage.

Mr. Frank Gillmore, representing the Actors' Equity Association, testified before the Ways and Means Committee in part as follows:

Beyond stating that the employment of actors and actresses has fallen away more than 50 per cent in the last two years I will not stress the economic side of the argument. Others who are here will speak on that.

I venture to suggest to you gentlemen that the stage is worthy of your consideration and of your encouragement, since it has given to the world and is still giving a culture which is precious in the extreme. The English-speaking peoples have a rich heritage in the writings of Shakespeare, as have the French in Molière. Both these men were actors. Let us suppose for the sake of argument that the Parliament of Queen Elizabeth or of King James the First had taxed the theater of Shakespeare out of existence. Then the dramatist would have been certainly muted. Oh, yes; he might have written a few more sonnets, and, without enthusiasm, knowing they would never have been produced, two or three more plays. What would have been the ultimate result of this legislation? You very gentlemen who sit here to-day, with your fine vocabularies and rich quotations, would have been poorer, for whether you are always conscious of it or not, the phrases and word combinations of Shakespeare drip from your lips and help make your speeches the memorable things that they are.

We all admit, I think, the wisdom of Shakespeare. It is my hope that you will take his advice as he has so clearly given it in the second act of Hamlet. After seeing the players, and saying good-bye temporarily to them, Hamlet turns to the chamberlain and says:

"See the players well bestowed. Let them be well used; for they are the abstract and brief chronicles of the times; after your death you had better have a bad epitaph than their ill report while you live."

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. CRISP. Mr. Chairman, I like the spoken drama, and, if I may be permitted a personal reference, I have the kindest feeling for those engaged in entertaining the public. My grandfather and grandmother and uncle and aunt were Shakespearean actors. Naturally, my sympathies are with these splendid people. I can see no reason why a 50-cent

admission should be taxed and a two or three dollar admission should be exempted.

This discrimination is a matter of great difficulty to administer. I realize the plight of the legitimate drama; and I repeat, I love it. But their trouble is because of the competition of the movies, the talkies, and the expense. To-day when a troupe travels over the country it must pay railroad fares, hotel bills, freight on the scenery; and all of that is expensive. At the same time you can send from Hollywood, Calif., a very delightful play in a box—a film—for \$2. Unfortunately for the spoken drama, it is up against this proposition, just as many splendid American workmen are to-day out of work because of machinery.

I hope the amendment will not be adopted.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York.

The amendment was rejected.

Mr. EVANS of California. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The gentleman from California offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. EVANS of California: On page 254, line 19, after the semicolon, add the following:

"Provided, That nothing in this act shall be construed as requiring any tax on admissions to any show, exhibition, performance, or game held or conducted by or as a part of the Tenth International Olympiad to be celebrated in the county of Los Angeles, State of California, from July 30, 1932, to August 14, 1932, both inclusive."

Mr. EVANS of California. Mr. Chairman and gentlemen of the committee, I have discussed the nature of this amendment—which is clear from its reading, I hope—with the acting chairman of the committee, and I do not believe he opposes it. I have also discussed it with the majority floor leader of the House and he tells me he is of the opinion that the law as it now is would not tax these admissions.

The Tenth International Olympiad is being held in the city of Los Angeles this year. It is entirely a nonprofit exhibition of athletic events by athletes from the whole world. The State of California has appropriated through its legislature the sum of \$1,000,000 to help finance this great event. The county and city of Los Angeles have likewise made large contributions.

I am sure the members of the committee would not wish to tax an exhibition of this kind, and I understand it has the acquiescence of the members of the committee.

Mr. DICKSTEIN. Will the gentleman yield?

Mr. EVANS of California. Yes.

Mr. DICKSTEIN. Can the gentleman tell me what the admission fee will be?

Mr. EVANS of California. I am sure I can not tell the gentleman from New York. A great many of the tickets have already been printed and distributed in foreign countries in the way of invitations; that is to say, they are complimentary tickets.

May I say, Mr. Chairman, that this Congress authorized the admission of these participants from foreign countries at this session without customs duties.

Mr. TREADWAY. Mr. Chairman, the amendment offered by the gentleman from California did not come to the attention of the Ways and Means Committee. At the same time, as one of the members of the committee, I feel very certain that had it been brought to our attention there would have been no opposition to its adoption. I can not see how it could possibly be objected to.

Mr. RAGON. Will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. RAGON. Did I understand the gentleman to say the committee would not have opposed this amendment?

Mr. TREADWAY. I certainly do not think the committee would have opposed it.

Mr. RAGON. I can not see how the committee could help opposing it if they are going to tax every Christian college in this country in connection with their football games and their baseball games.

Mr. TREADWAY. I will withdraw my reference to the Ways and Means Committee and speak purely as a Member. My thought is this, Mr. Chairman: That this is an international event, taking place but once in this country. I believe we have not had the privilege of entertaining international athletes in this country for a great many years.

Mr. BACHMANN. If the gentleman will permit, this is a non-profit-sharing venture to begin with.

Mr. TREADWAY. I was going to refer to that. The same attitude in reference to tariff matters was taken when the athletes coming over here to participate in the games at Lake Placid, N. Y., during the winter were given the privileges of the port, and all of their paraphernalia were excluded from any customs duties. This is the same principle.

While Los Angeles happens to be the place where this gathering is to be held, the country itself is the host of athletes from all countries of the world. It is an historic event that has come down since the ancient Grecian games. It seems to me we can do no more than to gladly welcome these people, allow them to take back the paraphernalia they bring in, and at the same time not tax their admission receipts. It is not a profit-sharing matter. It is purely an international matter which happens to be held in this country; and the greater hospitality we can show these people, the better it will be for the general welfare of our own athletes and the relationship of our country to other countries.

Mr. DICKSTEIN. Will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. DICKSTEIN. Does not the gentleman know there is a charge in the foreign countries when we go to see the games over there?

Mr. TREADWAY. I have no knowledge whatsoever of the relationship with the foreign countries. Of course, there is an admission charge. I am not saying there is not an admission charge over there as well as here, but the gentleman from California [Mr. EVANS] has simply asked that, as a matter of international courtesy, admissions be not taxed. I think the gentleman's amendment is very proper, and as one Member of the House, not as a member of the Ways and Means Committee, I shall vote for it.

Mr. RAGON. Mr. Chairman, I do hope and trust we do not at this period in the tax bill drop our guard. There is not anyone in this House who likes sports better than I do. There is not anyone that would rather be in attendance upon the Olympic games than myself, but it is falderol when you talk about international comity in connection with these games. The people who are going to see these games will be American citizens. It is true international athletes will be there, but they will be duly compensated for their pleasure as well as their performance.

Mr. TREADWAY. They are all amateurs.

Mr. RAGON. Amateurs, it is true, but they are sent there by organizations. They will come there at no expense to themselves and they will have to be admitted free as participants.

What we need is money, and if we are going to exempt this great sporting event, that will attract hundreds of thousands of people, then certainly we ought to be consistent and exempt the hundreds of thousands of people in this country that attend the football games, the baseball games, and the polo games, and especially athletic contests of the Naval Academy and the Military Academy, which are supported out of the Treasury of the United States.

Mr. BACHMANN. Will the gentleman yield?

Mr. RAGON. Yes.

Mr. BACHMANN. This is only one isolated affair. This is not a regular affair that is held annually. Your football games are held every fall, but this is one isolated affair that takes place every four years.

Mr. RAGON. Do not take up all my time.

Mr. BACHMANN. I am pointing out the difference to the gentleman.

Mr. RAGON. I grant the gentleman that is true; and you may say it is isolated, but so will the Sharkey-Schmeling fight be an isolated affair, and so will it be an international

affair. Do you want to say to the Madison Square Garden Corporation that we will exempt admissions there because, perchance, Schmeling is a German, representing the German Government, and Sharkey is an American, representing the American Government?

Mr. BACHMANN. That is a profit-making venture while this is not.

Mr. RAGON. If this is not a profit-making business so far as admissions are concerned, why do you charge admissions?

Mr. BACHMANN. Because of the expense involved in holding it there.

Mr. RAGON. Then let us go a little further and exempt all admissions to the international polo games and international golf and tennis matches and such things.

Mr. EVANS of California. Will the gentleman yield?

Mr. RAGON. Yes.

Mr. EVANS of California. May I say to the gentleman from Arkansas that this affair only lasts about two weeks?

Mr. RAGON. I understand that.

Mr. EVANS of California. It is an international affair and is something that has been worked up for the last 10 years. This is the first time within some 20 years that this country has been honored with these games, and not one dollar can go into any private pocketbook, but, on the contrary, the State of California is contributing \$1,500,000 by reason of the fact that we are being honored in California by having these events. One-half, or a large portion of these games, have already been held as winter sports at Lake Placid. They paid no admission tax. So there should not be an admission tax here, because no one can get one cent of profit or gain out of this event.

Mr. RAGON. If that is the case, then they should not charge admission.

What I am objecting to, in the first place, is breaking the morale of this sustained march we are making here toward successful passage of the tax bill, and if we are going to drop our guard on this, then let us drop it on the Sharkey-Schmeling fight. The Chicago exposition is another thing I would not want to see exempted.

Mr. BLANTON. Mr. Chairman, I believe in treating all athletic exhibitions of every kind in the same way without any preference. We have already shown preferential treatment to these athletic participants who are coming from foreign countries over here. We have exempted them from getting passports. We did not require passports of them, but we permitted all of their trainers and servants, all of their friends and members of their families to be admitted without any passports whatever. And none of them are to be taxed in any way whatever.

Mr. EVANS of California. Will the gentleman yield?

Mr. BLANTON. Yes.

Mr. EVANS of California. May I say that when the last event was held over there, these very same courtesies in toto were extended to our people while over there.

Mr. BLANTON. Our people who went there to those countries had to have passports.

Mr. EVANS of California. No; not a single one.

Mr. BLANTON. Our participants who competed in the events did not have to have passports, but each and every American who went over there to see the sports had to get a passport. They are the people I am talking about—the ones who go to see the sports. It is not the participants in the games who are taxed, it is the people who are enjoying the events. We are not taxing any of the athletes. Our good friend from New York, whose rich constituents will cross the country in airplanes—what is a little tax to such people who cross the United States, or even go to Europe, to see such sports? If you put a tax of a hundred times this amount, they would still go, just as they would pay \$50 for a good seat at a ringside of a prize fight.

Mr. HARDY. I want to say to the gentleman that many of these people will be college students.

Mr. BLANTON. Yes; there will be a lot of rich college alumni, who have been out of college 40 years, but are still interested in these big events. They are now in big business and are willing to pay for their entertainment. There will

be men there from all over the United States, men who go to the same entertainment when it is pulled off in Europe, and they ought to pay the tax.

Mr. EVANS of California. I am sure the gentleman does not wish to place this event in the same category as a prize fight.

Mr. BLANTON. No; because it will be even more entertaining. I want to say that not a penny of this tax will come out of any of the athletes who come from foreign countries to compete. They are our guests. They will receive most hospitable treatment. They were not required to get passports either for themselves or for any of the parties accompanying them. This tax will be paid only by the people who go long distances to see these sports. They are able to pay and ought to pay. I would favor this tax even if these sports were to take place in my home city or anywhere else in my own State.

Mr. RAGON. Would it not be just as reasonable to exempt people going to the Chicago exposition?

Mr. BLANTON. The people who will go to the Chicago exposition, to championship prize fights, to the national world championship series of baseball between the American League and the National League, or to any other national sporting event, ought to be willing to pay this little tax in helping their Government to balance its Budget, and to preserve the financial integrity of the United States. And they must pay it.

Much headway is now being made in passing a proper revenue bill—one that will balance the Budget, and yet will not place a burden upon the backs of people who are unable to bear it.

Our uncompromising fight made here has forced out of this bill all taxes that the people were unable to bear. There will be no taxes upon any foods of any kind. There will be no taxes upon any clothing or wearing apparel of any kind. There will be no taxes upon any agricultural implements or machinery that our farmers must have to make their crops. There will be no Republican sales tax that our multimillionaire editor, who owns his big newspapers all over the United States—Mr. William Randolph Hearst—thought he would put over with his royal junket through Canada last fall, but which he failed to cram down the throat of this Congress. There will be no stamp tax on bank checks, which would have denied to people of small finances the privilege of paying their accounts with small checks, and would have caused more "hoarding" than President Hoover could have checked with any renewed sleight-of-hand campaigns. There will be no tax upon admissions to picture shows under 45 cents, so that people of limited means can still enjoy relaxation without having to be taxed for it.

And in conclusion, Mr. Chairman, let me say that without going beyond the boundaries of a revenue bill strict and proper, one provision of this bill will bring into the Treasury at least \$42,000,000 in revenue from foreign oils produced in foreign countries with peon labor, and at the same time benefit the independent oil industry of the United States, and put back to work a hundred thousand idle heads of families who sorely need it.

The CHAIRMAN. The time of the gentleman from Texas has expired. The question is on the amendment offered by the gentleman from California.

The question was taken; and on a division (demanded by Mr. EVANS of California) there were—ayes 31, noes 121.

So the amendment was rejected.

The Clerk read as follows:

(c) Section 500 of the revenue act of 1926, as amended, is amended by adding at the end thereof the following subdivision:

"(e) The exemption from tax provided by subdivision (b) (1) (A) shall not be allowed in the case of admissions to wrestling matches, prize fights, or boxing, sparring, or other pugilistic matches or exhibitions. The exemption from tax provided by subdivision (b) (1) shall not be allowed in the case of admissions to any athletic game or exhibition the proceeds of which inure wholly or partly to the benefit of any college or university (including any academy of the military or naval forces of the United States)."

Mr. LaGUARDIA. Mr. Chairman, I move to strike out the last word. Will not the section (e) give us a great deal

of confusion in the administration of this law? Is it the intention of this section to exempt a tax on admissions to intercollegiate games?

Mr. CRISP. Mr. Chairman, those are taxable, and the Treasury Department says that this provision will assist them in administering the law.

Mr. LaGUARDIA. We have had a great deal of trouble in so-called exhibitions for charitable purposes. Personally in some instances I have interceded to obtain exemptions. I must confess that in many instances the department was justified in their attitude that there had been abuses. Will this section correct the abuses?

Mr. CRISP. Yes. The object of this is that there can not be exemptions, and to aid the Treasury in enforcing the law.

The Clerk read as follows:

(d) Subsections (a) and (c) shall take effect on the fifteenth day after the date of the enactment of this act.

Mr. CRISP. Mr. Chairman, I offer the following committee amendment, which I send to the desk.

The Clerk read as follows:

Committee amendment offered by Mr. CRISP: Page 255, after line 23, insert a new subsection as follows:

"(e) Effective July 1, 1934, section 500 (a) (1) of the revenue act of 1926, as amended by subsection (a) of this section, is amended by striking out 'less than 46 cents' wherever appearing in such paragraph, and inserting in lieu thereof '\$3 or less.'"

Mr. CRISP. Mr. Chairman, the object of this amendment is that in this bill we are now considering we levy an admission tax where the charge is over 45 cents. Under the terms of this bill it expires on July 1, 1934. Under existing law to-day there is a charge on admissions over \$3. This amendment simply provides that when this admission tax charged on 46 cents expires by law, the old law again becomes effective as to a tax on admissions over \$3.

The CHAIRMAN. The question is on agreeing to the amendment.

The amendment was agreed to.

The Clerk read as follows:

#### PART III—STAMP TAXES

##### SEC. 721. STAMP TAX ON ISSUES OF STOCK, ETC.

(a) Subdivision 2 of Schedule A of Title VIII of the revenue act of 1926 is amended to read as follows:

"2. Capital stock (and similar interests), issue: On each original issue, whether on organization or reorganization, of shares of stock, or of certificates of profits, or of interest in property or accumulations, by any corporation, or by any investment trust or similar organization (or by any person on behalf of such investment trust or similar organization) holding or dealing in any of the instruments mentioned or described in this subdivision or subdivision 1 (whether or not such investment trust or similar organization constitutes a corporation within the meaning of this act), on each \$100 of par or face value or fraction thereof, 5 cents: *Provided*, That where such shares or certificates are issued without par or face value, the tax shall be 5 cents per share (corporate share, or investment trust or other organization share, as the case may be), unless the actual value is in excess of \$100 per share, in which case the tax shall be 5 cents on each \$100 of actual value or fraction thereof, or unless the actual value is less than \$100 per share, in which case the tax shall be 1 cent on each \$20 of actual value, or fraction thereof.

"The stamps representing the tax imposed by this subdivision shall be attached to the stock books or corresponding records of the organization and not to the certificates issued."

Mr. CRISP. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Page 256, after line 1, insert a new section, as follows:

##### "SEC. 721. STAMP TAX ON ISSUES OF BONDS, ETC.

"(a) Subdivision 1 of Schedule A of Title VIII of the revenue act of 1926 is amended by striking out '5 cents' and inserting in lieu thereof '10 cents.'"

"(b) Subsection (a) shall take effect on the fifteenth day after the date of the enactment of this act.

"(c) Effective July 1, 1934, such subdivision 1, as amended by subsection (a) of this section, is amended by striking out '10 cents' and inserting in lieu thereof '5 cents.'"

Mr. CRISP. Mr. Chairman, under existing law there is a tax of 5 cents a hundred on the original issue of bonds. This amendment increases that tax from 5 cents to 10 cents until July 1, 1934, an emergency proposition to try to get money,

The amendment further provides after July 1, 1934, that the tax shall be reduced back to 5 cents a hundred, as it is now.

Mr. BRIGGS. How much is this estimated to bring in?

Mr. CRISP. This and the next one making increases on the original issue of stock is estimated to bring in \$13,000,000.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Georgia.

The amendment was agreed to.

Mr. CRISP. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Page 256, line 16, strike out "5 cents" and insert in lieu thereof "10 cents."

On lines 17 and 18, strike out "5 cents" and insert in lieu thereof "10 cents."

On line 21, strike out "5 cents" and insert in lieu thereof "10 cents."

On line 23, strike out "1 cent" and insert in lieu thereof "2 cents."

The amendment was agreed to.

The Clerk read as follows:

(b) Subsection (a) shall take effect on the 15th day after the date of the enactment of this act.

Mr. CRISP. I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment by Mr. CRISP: Page 257, after line 6, insert a new subsection, as follows:

"(c) Effective July 1, 1934, such subdivision 2, as amended by subsection (a) of this section, is amended by striking out '10 cents' wherever appearing in such subdivision and inserting in lieu thereof '5 cents,' and by striking out '2 cents' and inserting in lieu thereof '1 cent.'"

The amendment was agreed to.

The Clerk read as follows:

#### SEC. 722. STAMP TAX ON TRANSFER OF STOCKS, ETC.

(a) Subdivision 3 of Schedule A of Title VIII of the revenue act of 1926 is amended to read as follows:

"3. Capital stock (and similar interests), sales or transfers: On all sales, or agreements to sell, or memoranda of sales or deliveries of, or transfers of legal title to any of the shares or certificates mentioned or described in subdivision 2, or to rights to subscribe for or to receive such shares or certificates, whether made upon or shown by the books of the corporation or other organization, or by any assignment in blank, or by any delivery, or by any paper or agreement or memorandum or other evidence of transfer or sale (whether entitling the holder in any manner to the benefit of such share, certificate, interest, or rights, or not), on each \$100 of par or face value or fraction thereof, 4 cents, and where such shares or certificates are without par or face value, the tax shall be 4 cents on the transfer or sale or agreement to sell on each share (corporate share, or investment trust or other organization share, as the case may be): *Provided*, That it is not intended by this title to impose a tax upon an agreement evidencing a deposit of certificates as collateral security for money loaned thereon, which certificates are not actually sold, nor upon the delivery or transfer for such purpose of certificates so deposited nor upon the return of stock loaned: *Provided further*, That the tax shall not be imposed upon deliveries or transfers to a broker for sale, nor upon deliveries or transfers by a broker to a customer for whom and upon whose order he has purchased same, but such deliveries or transfers shall be accompanied by a certificate setting forth the facts: *Provided further*, That in case of sale where the evidence of transfer is shown only by the books of the corporation or other organization the stamp shall be placed upon such books; and where the change of ownership is by transfer of the certificate the stamp shall be placed upon the certificate; and in cases of an agreement to sell or where the transfer is by delivery of the certificate assigned in blank there shall be made and delivered by the seller to the buyer a bill or memorandum of such sale, to which the stamp shall be affixed; and every bill or memorandum of sale or agreement to sell before mentioned shall show the date thereof, the name of the seller, the amount of the sale, and the matter or thing to which it refers. Any person liable to pay the tax as herein provided, or anyone who acts in the matter as agent or broker for such person, who makes any such sale, or who in pursuance of any such sale delivers any certificate or evidence of the sale of any stock, share, interest, or right, or bill or memorandum thereof, as herein required, without having the proper stamps affixed thereto, with intent to evade the foregoing provisions, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall pay a fine of not exceeding \$1,000, or be imprisoned not more than six months, or both."

Mr. RAGON. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. RAGON: Page 258, line 2, after "Provided, That," insert "in no case shall the tax imposed by this subdivision be less than one-fourth of 1 per cent of the selling price, if any, of such shares, certificates, or rights: *Provided further*, That."

Mr. McCLINTIC of Oklahoma. Mr. Chairman, will the gentleman yield for the purpose of offering a substitute?

Mr. RAGON. Yes.

Mr. McCLINTIC of Oklahoma. I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. McCLINTIC of Oklahoma as a substitute for the amendment offered by Mr. RAGON: Strike out the words "one-quarter" and insert "one-half," and the following:

"*Provided further*, In no case shall the tax imposed by this subdivision be less than one-half of 1 per cent of the selling price of such shares, certificates, or rights and the amount assessed shall be paid by the agent handling such transaction."

Mr. O'CONNOR. Mr. Chairman, I make the point of order that the amendment offered is not a substitute, but an amendment to the amendment in the third degree.

The CHAIRMAN. Does the gentleman from Oklahoma desire to be heard on the point of order?

Mr. McCLINTIC of Oklahoma. Mr. Chairman, it is my object to offer it as a substitute for the pending amendment.

The CHAIRMAN. Will the gentleman withdraw it for a moment. The Chair is of the opinion that it is not a substitute as now offered. I think the gentleman can perfect it.

Mr. McCLINTIC of Oklahoma. I will ask permission to strike out the last part of it and let the substitute go to the figures of one-half.

Mr. O'CONNOR. I still press my point of order that that does not correct the fact that it is an amendment rather than a substitute.

Mr. McCLINTIC of Oklahoma. Mr. Chairman, I ask unanimous consent to withdraw my substitute temporarily.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. RAGON. Mr. Chairman, this is a matter about which there has been much discussion. I think I am safe in saying there is no feature of the tax bill that has been given more consideration and about which there has been more investigation made than this particular item in the bill.

Apparently it provides a very bountiful place where we can harvest some revenue, and after an investigation, which I personally happen to know extended over a month's time, these rates were adopted by the committee. I say to you frankly that any higher rate than this will simply "kill the goose that lays the golden egg."

There is no one who would be more disposed to go in and give these people a heavy tax than myself, but I will say to you that a tax of one-fourth of 1 per cent on the transfers of stock on the New York Stock Exchange is about as high a tax as should be levied. I use the New York Stock Exchange as an illustration because there you will find larger sales and larger transfers of stock than you will find on the exchanges anywhere in the world.

I have heard it stated many times—and I thought myself it was true at first—that this tax would yield, at one-fourth of 1 per cent, \$150,000,000, but when you come to investigate it you find that in 1931 the total financial transactions on the New York Stock Exchange was \$31,000,000,000, and that would have yielded, at one-fourth of 1 per cent, including all sales on that exchange, \$80,000,000.

In order to be sure about the amount of revenue the subcommittee the other night called from New York a representative of the Federal reserve bank and also two gentlemen, one of them the counsel and the other the economist of the New York Stock Exchange. We discovered that night that, based upon the amount of business they did in the months of January and February, that if there was a continuance of business at the same rate this year, our yield in taxable volume on the New York Stock Exchange, in place of being \$31,000,000,000 would only be \$19,000,000,000.

I asked those gentlemen when they returned to New York City—we had to send for them hurriedly, which prevented them from preparing for the conference—to send me a statement of the volume of business they did this past month; that is, the month of March. Accordingly yesterday they sent me an estimate of \$1,100,000,000 based on the first 26 days of this month. If you average that with the months of January and February that will reduce their actual volume of business which will be transacted this year to \$17,000,000,000. The result was we thought we had some pretty pickings there and we thought we would be justified in basing an estimate of a return of \$125,000,000 on the returns of the New York Stock Exchange, the Curb Exchange, and the various stock exchanges throughout the country, as well as private transactions; but when we ran across this tremendous reduction in the volume of business transacted we were compelled, of course, to readjust our figures from \$125,000,000 to \$75,000,000, and since I received that telegram I feel we are justified in reducing it further.

Mr. CELLER. Will the gentleman yield?

Mr. RAGON. Yes.

Mr. CELLER. The present law, as I understand, is 2 cents on a share. The original committee suggestion was to double that to 4 cents, and now you make it one-fourth of 1 per cent. That is equivalent to 12½ per cent. On a share of \$100, the present law would involve 2 cents; under the committee's first suggestion it would be 4 cents; and under the committee's present suggestion, one-fourth of 1 per cent, it would be 25 cents, or twelve and one-half times 2.

[Here the gavel fell.]

Mr. RAGON. Mr. Chairman, I ask unanimous consent to proceed for five additional minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. CELLER. So the change you now suggest would make the tax twelve and one-half times the amount of the tax at the present time?

Mr. RAGON. I do not know the percentage of increase, because I have not figured that. Let me explain these facts, and then I will be glad to answer questions. The effect of the rate, as the gentleman has suggested, is this: That on stocks having a market value of less than \$16 the 4 cents would apply. Above that you would have your one-fourth of 1 per cent.

Now, gentlemen, that applies also to short sales. In other words, in effect, you are making, under this proposed amendment of one-fourth of 1 per cent, an assessment on all sales. Now, due to the peculiar characteristics of a short sale—that is, a man is supposed to buy to-day and delivery is to be made to-morrow—you get it two ways, with the result you have one-half of 1 per cent on what is called a short sale.

Mr. CELLER. In addition, you have the 4 cents.

Mr. RAGON. You do not have it if it is above \$16, but if it is below \$16, your 4-cent rate obtains.

Mr. CELLER. I mean on short sales.

Mr. RAGON. Yes; the same thing applies. If the short sale is of a stock with a value of less than \$16, the 4-cent rate applies.

Mr. VINSON of Kentucky. But you never have the two taxes.

Mr. RAGON. No; the 4 cents applies on one class and the one-fourth of 1 per cent on the other.

Mr. WOODRUFF. Will the gentleman yield before he leaves that point?

Mr. RAGON. Yes.

Mr. WOODRUFF. The gentleman gave us some very interesting figures as to the volume of business done by the New York and other stock exchanges there, and I would like to know if the gentleman has any information regarding the volume of business done by all the stock exchanges in the United States?

Mr. RAGON. I think the gentleman will find that the New York Stock Exchange will cover about 80 per cent of it.

Mr. LaGUARDIA. About 85 per cent of it.

Mr. RAGON. Perhaps 85 per cent of all the stock-exchange business, including the exchanges in the different cities.

Mr. WOODRUFF. Do I understand the figures the gentleman has given the committee are the figures contemplated by a review of the transactions on all of the exchanges rather than on the New York Stock Exchange alone?

Mr. RAGON. Yes. I think there are 44 different stock exchanges in this country.

Mr. BLACK. Will the gentleman yield?

Mr. RAGON. Yes.

Mr. BLACK. Did the men representing the stock exchange before the gentleman's subcommittee indicate what effect, if any, this would have upon the unemployment situation?

Mr. RAGON. No; they did not do that—the men who opposed this—the fact of the business is I told them there was not any use opposing it and the only thing we were interested in was a reliable estimate as to the revenue we would be able to get.

Mr. FULLER. Will the gentleman yield?

Mr. RAGON. Yes.

Mr. FULLER. What does the gentleman estimate this tax will produce?

Mr. RAGON. Between \$65,000,000 and \$75,000,000.

Mr. FULLER. Based on just the report the gentleman had from New York, or is that for the entire Nation?

Mr. RAGON. I think it will be \$75,000,000 from the entire Nation.

Mr. JONES. Will the gentleman yield?

Mr. RAGON. Yes.

Mr. JONES. Did the committee give consideration to imposing a larger tax in the case of a speculative short sale than the tax levied in the case of an actual transaction with a delivery of the stock?

Mr. RAGON. The gentleman means a sort of penal assessment?

Mr. JONES. Yes.

Mr. RAGON. We thought one-fourth of 1 per cent both ways would hit them hard enough.

Let me suggest in this connection that here is the danger with which you are confronted: It is a very easy matter to tax volume of business in this connection, and it may be just as legitimate business as you can find transacted on the New York Stock Exchange, because there are any number of men who do business on small margins. For instance, they will take advantage of one-eighth of a point rise, and upon that one-eighth may depend what they expect to be their entire profit in the matter. If you make this too high, you will certainly in that instance practically do away with the profits that would be made by a man dealing upon such a narrow margin.

[Here the gavel fell.]

Mr. McCORMACK. Mr. Chairman, I ask unanimous consent that the gentleman's time may be extended five additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. McCORMACK. In the practical operation of the committee amendment, so far as short selling is concerned, the tax would be the equivalent of one-half of 1 per cent, would it not?

Mr. RAGON. Yes.

Mr. O'CONNOR. Will the gentleman yield?

Mr. RAGON. Yes.

Mr. O'CONNOR. The gentleman will recall that the other day I asked if the same tax was going to be applied to cotton and grain exchanges. Of course, this amendment only applies to the stock exchanges.

Mr. RAGON. It applies to all transfers of stock.

Mr. O'CONNOR. I was assured by the gentleman and also, as I understood, by the gentleman from Georgia that

the same tax would be applied to all commodities sold on cotton or grain exchanges.

Mr. RAGON. I do not think I assured the gentleman of that, although I may have in the rush we have had here assured him of the same rate.

Mr. O'CONNOR. That is a matter that can be figured out if you get a memorandum of sales.

Mr. RAGON. We have increased that 400 per cent, I think it is, and we will take that up in just a minute, because it is coming up right after this matter, and I suggest we delay our discussion of it until that time.

Let me suggest this, gentlemen. Not only are you liable to reduce your taxable volume by making this too high, but you are liable to drive this business to foreign exchanges. This was the fear that the New York Stock Exchange men had the other night. If you made this rate too high, they feared you would drive the stock business to Toronto or to London. They also advised us that the New York Stock Exchange had lost a considerable volume of business to the Chicago Stock Exchange that only had the Federal rate of 2 cents per \$100 par value. The New York Stock Exchange has a rate of 4 cents imposed by the State of New York, and then they have this additional rate that will be imposed by the Federal Government.

Mr. O'CONNOR. The gentleman will recall that the State of New York also has a rate of tax—

Mr. RAGON. I have just made that statement.

So I think we are approaching, so far as the New York Stock Exchange is concerned, a place we would not want to approach; that is, where we would tax them to such an extent we would drive away the business from the exchanges of this country.

Mr. THATCHER. Will the gentleman yield?

Mr. RAGON. Yes.

Mr. THATCHER. As I understand the operation of this provision, if a corporation has shares of stock and say the selling value is \$16, the tax will be 4 cents a share, and if the selling value or the par value should be \$1 a share, as would be the case in many corporations, it would still be 4 cents a share.

Mr. RAGON. Yes.

Mr. THATCHER. Is not that somewhat inequitable?

Mr. RAGON. Yes; I think there is a little inequity involved there, but you can not hit it in any other way and hit it right, because the size of the stock is rather inconsiderable so far as the volume of the transaction that a man wants to make is concerned.

Mr. THATCHER. And the only question is whether or not you should put on a flat rate.

Mr. RAGON. I will say to the gentleman that we considered that matter thoroughly.

Now, let me say this before my mind gets away from it. I think I have made as impartial an investigation as any one could make. The gentleman from Mississippi [Mr. COLLIER], asked me to do this, when we began the consideration of the revenue bill, and then the gentleman from Georgia [Mr. CRISP], put it on my shoulders and assigned an expert to help me after he became active chairman. We have given it the most careful consideration and study, and I say to you frankly, do not write anything into this that was not written by the committee.

Mr. FULMER. I would like to ask the gentleman if this applies to the grain and stock exchange?

Mr. RAGON. There will be an amendment offered to that increasing the rate.

Mr. O'CONNOR. Will the gentleman tell us why the transactions on the cotton and grain exchange should not be on the same basis as applies to the stock exchange?

Mr. RAGON. One is an exchange for commodities, and the other is—well, it is an exchange for stock.

Mr. O'CONNOR. The grain and cotton exchanges in New York do not deal in the commodities, but they deal in futures.

Mr. RAGON. The biggest cotton exchange in the world is in New York City.

Mr. O'CONNOR. Yes; but it does not deal in cotton, it deals in memorandums and futures.

Mr. RAGON. I am talking about the cotton exchanges in New York, New Orleans, and Chicago, and they deal in cotton and cotton futures; of course actual transactions in cotton and other commodities are exceedingly small.

Mr. VINSON of Georgia. Let me say to the gentleman that I am prepared to offer an amendment to tax transactions on the commodity exchanges 10 cents a hundred. Under the present law it is 1 cent.

Mr. O'CONNOR. And under the present proposition it is 25 cents.

Mr. RAGON. So it is on the little fellow that transfers the stock back in the country towns. Now, I want to say that I only used the New York exchange as an illustration.

Mr. O'CONNOR. Does the gentleman think that the Chicago exchange deals in grain? It deals in memorandums.

Mr. RAGON. It deals to some extent in grain.

[Here the gavel fell.]

Mr. McCLINTIC of Oklahoma. Mr. Chairman, I offer the following substitute for the pending amendment.

The Clerk read as follows:

Substitute amendment by Mr. McCLINTIC of Oklahoma to the committee amendment: In lieu of the language of the committee amendment, insert the following:

"Provided, That in no case shall the tax imposed by this subdivision be less than one-half of 1 per cent of the selling price of such shares, certificates, or rights, and the amount assessed shall be paid by the agent handling such transaction."

Mr. O'CONNOR. Mr. Chairman, I make the point of order that that is not a substitute, but an amendment to the amendment.

The CHAIRMAN. The Chair overrules the point of order.

Mr. McCLINTIC of Oklahoma. Mr. Chairman, in the beginning I want to say that I am in accord with the action of the committee in offering an amendment for a tax on short sales of every kind, but it was my thought that possibly the committee had not considered one phase of the situation, and I respectfully wish to bring that to your attention in the endeavor to raise more money by such an amendment.

The gentleman who preceded me has called attention to the estimate which is that his amendment will raise about \$65,000,000. When you take into consideration that on some days the amount of sales on our stock markets amount to over \$2,000,000,000, it seems to me that this House ought to go on record at this time in favor of amendments that will increase the revenue and at the same time discourage speculation. Not only is that true, but over in the Senate hearings it was developed that the bears, or a large portion of the bears who were raiding the markets of this country were foreigners. Therefore, I have added to this amendment the language that the agent who is handling the transaction shall be liable for the amount of the tax.

Mr. CELLER. Mr. Chairman, will the gentleman yield?

Mr. McCLINTIC of Oklahoma. Yes.

Mr. CELLER. Is the purpose of the gentleman's amendment to prevent the short selling on the commodity and stock exchanges?

Mr. McCLINTIC of Oklahoma. Not to prevent it, but to make it pay a sufficient amount of revenue so as to discourage the practice of engaging in short selling for the reason that this method always has a certain bearing upon the law of supply and demand and brings about unnatural conditions to the extent that hundreds of institutions throughout the Nation are wrecked every year because individuals engage in that sort of business.

Mr. CELLER. Does the gentleman's amendment also put an extra burden upon legitimate hedging or insurance?

Mr. McCLINTIC of Oklahoma. I do not agree with the gentleman. My amendment would cause every sale amounting to \$100 to pay 50 cents.

Mr. CELLER. That would include not only speculation, but those sales which the Department of Agriculture and the Farm Board encourage.

Mr. McCLINTIC of Oklahoma. I am dealing in stocks. The subject the gentleman has brought to my attention is handled by an amendment that will be offered later. I am trying to take care of stocks and at the same time to take care of this situation that has been brought about by foreign raids, having in mind that if they are participating on our different boards of trade, the agents who handle the business for them ought to be charged with the responsibility of collecting the amount of the tax.

Mr. CELLER. But the gentleman's amendment would go a great way toward discouraging short sales on the stock exchanges.

Mr. McCLINTIC of Oklahoma. It would probably deter many of those who ought not to participate in that sort of business, thereby saving their assets to the extent that they would not be bringing down crashes on different communities that we have witnessed lately.

Mr. CELLER. The gentleman is familiar with the Supreme Court decision in the Child Labor case, which says we can not use the taxing power to prevent a practice which to some might seem obnoxious. Would not the effect of the gentleman's effort to charge a tax on short sales be unconstitutional?

Mr. McCLINTIC of Oklahoma. I do not believe this amendment would in any way interfere with an individual's right to engage in this class of business if he so desired, but it might have a tendency to keep a large number of individuals who ought not to participate in the business of short sales from entering the market for that purpose. For this reason I am hoping that we can raise a sufficient amount of revenue at this time to take care of anything that would be lacking in the amendments already adopted.

During the discussion of the so-called sales tax I made the statement that I would introduce an amendment for the purpose of taxing short sales. At that time I did not know that it was the intention of the committee to offer an amendment that is now pending. It is not my desire to do anything that would in any way interfere with the action of the committee, as I realize that they have labored in a most strenuous manner for the purpose of balancing the Budget, and I wish to congratulate the distinguished gentleman from Arkansas for the speech he has made on this subject and to say that I am in accord with his desires; also, that if the offering of my amendment will in any way jeopardize the committee's proposal I will be glad in the interest of harmony to withdraw the same, as I am very anxious to have this bill include a provision that will tax short sales.

Mr. LaGUARDIA. Mr. Chairman, I know many Members are greatly interested in establishing this system of taxation, and I plead with the Members to realize and understand the opposition that we have been having for many years in writing such a tax into law, not to disturb the committee amendment, as explained by the gentleman from Arkansas [Mr. RAGON]. Many of us have been working for years on this proposition. I know that the opponents of the tax would welcome amendments to-day which would throw our plan out of balance and out of gear. I absolve absolutely the gentleman from Oklahoma [Mr. McCLINTIC] from any such intention. I know that he is sincere in his efforts, but let me say to the gentleman that we must give the exchanges an opportunity to adjust themselves to this tax. Later on, after we see how it works—it is so novel, so untried—then we may tax a little higher, perhaps. Let me say to the gentleman from Oklahoma, as was stated by the gentleman from Arkansas [Mr. RAGON], that many of the operations are within a small margin. Besides the State tax, traders must pay brokerage commission. For instance, stocks that sell from \$1 to \$9.99 per share pay a brokerage fee of \$7 per hundred shares, and our tax on those hundred shares would be \$2.50. Stocks that sell from \$10 to \$24.99 per share, on a hundred shares would pay a brokerage fee of \$12.50 and a tax of \$6.25, and so on up to shares that sell from \$50 to \$74.99, where the brokerage fee would be \$17.50 and the tax \$12.50 up to \$18.75, or, up to shares that sell for from \$100 to \$199.99 per share, where the brokerage

fee would be \$25 for a hundred shares, and the tax would be from \$25 to \$50.

In the first place, we are going to meet with every kind of opposition in the enforcement of the tax. We are going to meet with the best legal talent that money can buy. We are going to meet with resistance in the operation of the tax. Remember, gentlemen, that the stock exchanges have successfully defeated such a tax for years. When I first suggested this tax it really was not taken seriously. The percentage tax on stock transactions had been discussed for years; but at no time has Congress been able to put such a tax through and enact it into law. It was easy, it seems, to convince a committee against such a tax. Under gag rule the House seldom had the opportunity to offer amendments. As I said, when I first suggested this tax it was met by the stock-ticker boys with sneers and jeers. "Impossible," said they, "it will never go through." Congress had heretofore always been checked and stopped on such a tax. But finally after all these years of our persistent effort, public opinion has finally been so crystallized that all the power, all the political influence, all the wealth of the stock exchanges of this country can not overcome. This tax will surely be approved by the House with an overwhelming vote. It will surely pass the Senate and become the law. Stock exchanges, speculators, investors, and gamblers will finally be compelled to pay their share of taxes. Gentlemen, this victory I consider as important and telling as our defeat of the sales tax.

No one can deny the justice of it. No one can deny at this time that it is a proper source of revenue.

Let me amplify the figures given by the gentleman from Arkansas, showing the lowest transaction figures in this depressed period. He quoted an estimate, I believe, of \$44,000,000,000. I place the figure a little higher. As we take our percentages of the transactions on the New York Stock Exchange, the Curb Exchange, and other exchanges throughout the country we figure an estimate of \$49,500,000,000 for 1931. The estimate for 1930—and the reason I say estimate, Mr. Chairman, is that the annual reports of the exchanges give only the number of shares dealt in and the average prices. We have made a conservative estimate of the New York Stock Exchange, the New York Curb Exchange transactions, and the various stock exchanges in the country, and find a total of \$78,375,000,000 the amount of transfers in 1930. In 1929, when we had an unusual year, the transactions on the stock exchanges in the country amounted to the staggering figure of \$371,250,000,000. So do you not see, gentlemen, if we approach this subject constructively by putting on a tax of one-fourth of 1 per cent, although the yield may not be so high the first year, as soon as the country gets to normal conditions this one source of revenue will be sufficient to eliminate every other nuisance and sales tax that we have written into this bill. It is to marvel that Congress has not taxed this source before. The answer is that this Congress has been able to resist the tremendous influence and power of the stock exchange.

I want to say to my colleagues that I appreciate the kindness and cooperation of the committee in considering this tax proposition of mine. As I stated this morning, this amendment alone is a great step forward. This tax is indeed progressive legislation. We are making tax history to-day. The country will approve of this tax.

[Here the gavel fell.]

Mr. LaGUARDIA. Mr. Chairman, I ask unanimous consent to proceed for five additional minutes.

The CHAIRMAN. The gentleman from New York asks unanimous consent to proceed for five additional minutes. Is there objection?

Mr. GOSS. Mr. Chairman, reserving the right to object, and I shall not object, I want to ask the gentleman from New York if he will not please explain to the committee how this will affect short selling in both amendments. I did not understand the explanation of the gentleman from Oklahoma and I did not get a satisfactory reply from his remarks. So, will not the gentleman inform us on that subject?

The CHAIRMAN. Is there objection?

Mr. CELLER. Mr. Chairman, reserving the right to object, will the gentleman yield to me after he has yielded to the gentleman who has just spoken?

Mr. LaGUARDIA. Certainly.

The CHAIRMAN. Is there objection?

Mr. O'CONNOR. Mr. Chairman, reserving the right to object, may I appeal to the acting chairman of the Ways and Means Committee? This tax on transactions on the stock exchanges is a most important matter. It is now nearly 5.30 o'clock, and most of us did not know this tax was coming up to-day. I spoke to several of the members of the Ways and Means Committee about it yesterday and gave notice that I desired some opportunity to discuss it. I therefore appeal to the acting chairman of the Ways and Means Committee to let this subject go over until to-morrow morning for debate and vote.

Mr. CRISP. Gentlemen, I think the welfare of the country demands that this bill be passed. There is no Member in this House who has worked for the last three months as I have. The membership of the House knew that this bill was being considered. May I say this: When we were boys some of us remember that we were told that when we finished a certain task we could go fishing. I have talked with the Speaker, and if we finish this bill to-morrow or next day the House will adjourn over until Monday. I think we can make progress if we run a little while now.

Mr. O'CONNOR. The gentleman knows I spoke to him yesterday and to-day several times and asked when this matter would come up, and the acting chairman stated to me it would not come up until Title V of the bill was reached, and I estimated that in the regular course of events that would be to-morrow and not to-day.

Mr. CRISP. The gentleman is inaccurate. I did not say that. I said it would not come up until Title V came up.

Mr. O'CONNOR. That is what I just said. Then after the acting chairman so advised me, a little after 3 o'clock this afternoon, without any previous notice, he asked unanimous consent to jump hundreds of pages to Title V. If the gentleman considers that fair, it is all right with me if it is all right with him.

Mr. CRISP. I think this House will agree that I have been fair, I have been patient, and I have tried to give everybody an opportunity to be heard. [Applause.] I am willing, if it is the sense of this committee, to go on and finish debate and vote on the amendment to-morrow.

Mr. CULLEN. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. CULLEN. I think that the suggestion made by the chairman of the Ways and Means Committee is sound and sensible, but I would ask him if he will not dispose of the McClintic amendment to-night and take a vote on the original amendment to-morrow.

Mr. CRISP. I will be delighted to do so. I am willing to dispose of the McClintic amendment and close debate on this amendment this afternoon—because, gentlemen, you know this debate is not going to change any vote—and then vote to-morrow, so that everybody will know it is coming up to-morrow.

The CHAIRMAN. Let the Chair state the parliamentary situation. Is there objection to the request of the gentleman from New York [Mr. LaGUARDIA] that he be permitted to proceed for five additional minutes?

Mr. GOSS. Mr. Chairman, reserving the right to object—

The regular order was demanded.

The CHAIRMAN. The regular order is, Is there objection?

Mr. CELLER. Mr. Chairman, I object.

The CHAIRMAN. Debate has been exhausted on the McClintic amendment.

Mr. McCLINTIC of Oklahoma. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. McCLINTIC of Oklahoma. Mr. Chairman, in view of the splendid statement made by the chairman of the committee who has labored so hard to expedite the passage

of this bill, and it being my desire to cooperate with the rest of the Members of the House, I ask unanimous consent to withdraw my amendment, and I will support the committee amendment which will establish the precedent of taxing short sales.

Mr. CRISP. Mr. Chairman, may I submit this unanimous-consent request, that there be 30 minutes more of debate on the McClintic amendment, and that debate on this amendment and all amendments thereto be closed and the committee rise and we vote on it to-morrow.

Mr. O'CONNOR. Mr. Chairman, reserving the right to object, if the gentleman will modify that request and have the 30 minutes of debate to-morrow, I shall not object.

Mr. CRISP. Then, Mr. Chairman, I move that all debate on this amendment and all amendments thereto, close in 30 minutes.

The motion was agreed to.

The CHAIRMAN. Is there objection to the request of the gentleman from Oklahoma to withdraw his amendment?

There was no objection.

Mr. HARLAN. Mr. Chairman, I offer a substitute for the committee amendment.

The Clerk read as follows:

Substitute offered by Mr. HARLAN: Page 257, line 21, strike out "4" and insert "2"; page 258, line 2, after "Provided That," insert "in no case shall the tax imposed by this subdivision be less than one-fourth of 1 per centum of the selling price of any of such shares, certificates, or rights: *Provided further, That,*"

Mr. CRISP. Mr. Chairman, may I make this statement? Debate has been closed on this amendment and all amendments thereto in 30 minutes. When 10 minutes of that time is up I shall move that the committee rise, which will leave 10 minutes on each side, and I shall not myself ask for any of that time.

Mr. PATTERSON. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. PATTERSON. Mr. Chairman, did the gentleman from Oklahoma [Mr. McCLINTIC] get unanimous consent to withdraw his amendment to the amendment? I heard the gentleman from Connecticut [Mr. GOSS], object.

The CHAIRMAN. The amendment was withdrawn by unanimous consent.

Mr. HARLAN. Mr. Chairman, the purpose of this substitute is to reduce the minimum tax from \$4 to \$2 a hundred. The point of this proposition is this: The gentleman from New York read the brokerage rates a moment ago on stocks from \$1 to \$10 as \$7 a hundred. This was not strictly accurate. It is seven and a half a hundred. The State of New York imposes, under the revenue law, a tax of \$4 per hundred.

Mr. RAGON. Not \$4—the gentleman does not mean \$4.

Mr. HARLAN. Yes; cents. I am talking about 100-share lots.

Mr. RAGON. The New York law now reads 4 cents on each share of \$100 par value.

Mr. HARLAN. Yes; that is right, and it was two, but it also touches the smaller stocks which I think, under the committee amendment, are taxed too much by far. The committee amendments would put on a tax, in addition to the brokerage of 7½ cents, of 4 cents, and the State of New York would put on 4 cents more, which is a total of 15½ cents on stocks selling under \$8, and I say, gentlemen, this is a discriminatory, prohibitive price to put on the small stocks. There are too many stocks at the present time that are down in the very small brackets.

Mr. CELLER. Is it not true that most of the stocks on the exchange to-day are below \$10?

Mr. HARLAN. I have been told that they average as low as \$8.

Mr. RAGON. I will say to my friend, if he wants to be accurate, the average on the curb is \$21, and my recollection now is that on the New York Stock Exchange it is \$19.

Mr. HARLAN. The gentleman says that he has accurate figures on that, and the gentleman is in position to know. The only thing I have is the statement of certain brokers

from whom I have got the information, and probably it is not as accurate.

Mr. CELLER. According to the committee hearing it reads:

A survey recently made by Frazier Jelke & Co. shows that more than 41 per cent of all issues traded on the New York Stock Exchange are selling at less than \$10 a share, while at the peak of the 1929 bull market 64 per cent of all stocks was selling at \$50 a share or more, and 28 per cent at \$100 a share or more. Recently, 66 per cent has been selling at less than \$25, with only 5 per cent above \$100.

Mr. HARLAN. That is substantially the information I have.

Gentlemen, when you impose this tax you must consider there are a great many issues of stock selling on the exchange and also on the big board at very small prices now.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. HARLAN. Yes.

Mr. VINSON of Kentucky. I want to say to the gentleman that a very unusual thing has occurred, and with a stock selling at \$10 or less the charge is 4 cents a share, and you can buy 10 of those shares of stock with a par value of \$10, which makes a total of \$100, and only pay a tax of 4 cents on that \$100 transaction, and the general counsel of the New York Stock Exchange admitted that.

Mr. HARLAN. That certainly was not the intention of the New York law.

Mr. VINSON of Kentucky. I am speaking of the Federal law.

[Here the gavel fell.]

Mr. VINSON of Georgia. Mr. Chairman, I ask unanimous consent to have printed in the RECORD at this point an amendment I propose to offer at the end of section 722, to be known as a new section 723.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

There was no objection.

The matter referred to follows:

Proposed amendment of Mr. VINSON of Georgia: Page 259, after line 12, insert a new section, to read as follows:

"SEC. 723. STAMP TAX ON SALES OF PRODUCE FOR FUTURE DELIVERY

"(a) Subdivision 4 of Schedule A of Title VIII of the revenue act of 1926 is amended by striking out '1 cent' wherever appearing in such subdivision and inserting in lieu thereof '10 cents.'

"(b) Subsection (a) shall take effect on the fifteenth day after the date of the enactment of this act."

Mr. JONES. Mr. Chairman, I want to ask the gentleman from Georgia a question for information. Does this short-sales tax cover cases of borrowed stocks?

Mr. RAGON. You can only affect the short sales through borrowing.

Mr. JONES. But the stock may be borrowed two or three times, and I want to know if the tax covers these transactions. I think taxes of this character are far preferable to an increase in first-class postal rates, to which I am opposed. The bill makes certain exceptions in favor of brokers' transfers, and I want to be sure there are no loopholes.

Mr. CRISP. Under the present law, where the stock is borrowed for short selling, it is not taxed. Under the bill, where the stock is borrowed for short selling, it is taxed. It is not taxed when it is returned.

Mr. JONES. Under the terms of the bill sales of that kind might possibly escape under one of the provisos which stipulate that deliveries or transfers to brokers or from brokers to customers shall not be taxed.

Mr. CRISP. I will say that under the original bill—and I know what the bill provided, although I do not know all about the amendments of the subcommittee—under the original bill, where the stock was loaned for the purpose of short selling, the loan was taxed 4 cents, but when it was returned it was not taxed.

Mr. JONES. If borrowed two or three times for short selling, it would be taxed each time it was sold?

Mr. CRISP. Not taxed under the terms of the original bill.

Mr. Chairman, I move that the committee do now rise. The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. BANKHEAD, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill H. R. 10236, the revenue bill, and had come to no resolution thereon.

RADIOGRAM FROM THE CHAIRMAN OF THE PHILIPPINE CIVIC UNION AND FEDERATION OF LABOR

The SPEAKER laid before the House the following message from the President of the United States, which was read and, with the accompanying papers, referred to the Committee on Insular Affairs:

To the Congress of the United States:

There is transmitted herewith a copy of a radiogram received from the chairman of the Philippine Civic Union and Federation of Labor.

HERBERT HOOVER.

THE WHITE HOUSE, March 30, 1932.

INTERNATIONAL CONGRESS OF MILITARY MEDICINE AND PHARMACY (S. DOC. NO. 74)

The SPEAKER also laid before the House the following message from the President of the United States, which was read and, with the accompanying papers, referred to the Committee on Foreign Affairs and ordered printed:

To the Congress of the United States:

I commend to the favorable consideration of the Congress the inclosed report from the Secretary of State to the end that legislation may be enacted to authorize an appropriation of \$10,000 for the expenses of participation by the United States in the Seventh International Congress of Military Medicine and Pharmacy, which will be held in Madrid in 1933.

HERBERT HOOVER.

THE WHITE HOUSE.

LEAVE OF ABSENCE

By unanimous consent, the following leaves of absence were granted:

To Mr. KELLER, for three days, on account of sickness; and

To Mr. VESTAL (at the request of Mr. SNELL), indefinitely, on account of sickness.

LETTER OF SECRETARY OF FEDERAL TRADE COMMISSION

Mr. KVALE. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by inserting a letter written by the secretary of the Federal Trade Commission to several employees.

Mr. STAFFORD. On what subject?

Mr. KVALE. The discharge of a number of employees because of deficiency in appropriation.

The SPEAKER. Is there objection?

There was no objection.

Mr. KVALE. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following letter, written by the secretary of the Federal Trade Commission to several employees:

FEDERAL TRADE COMMISSION,  
Washington, March 26, 1932.

Mr. ————

DEAR SIR: The Federal Trade Commission, because of lack of funds and in order to avoid a deficiency contrary to law in its expenditures for the fiscal year 1932, finds it necessary to furlough a large number of its employees in order to reduce its pay roll.

You are therefore hereby notified that, effective April 1, 1932, and pending further order of the commission, you are furloughed on leave without pay.

The commission is advised that consideration of its financial needs will be before Congress within the next week or two, and, in the event funds are provided which will permit the recall of personnel, the commission will then give consideration to the question of reinstatements of the furloughed personnel in whole or in part.

It is with exceeding regret that the commission finds it necessary to take the action here indicated, not only from the viewpoint of its employees, but also because this action means the delay or cessation of important investigations being conducted by the commission in pursuance of Senate resolutions, particu-

larly with reference to public utilities, chain stores, cement, and building material industries.

By direction of the commission.

OTIS B. JOHNSON, *Secretary*.

#### LEAVE TO FILE MINORITY VIEWS

Mr. MAAS. Mr. Speaker, I ask unanimous consent for five legislative days to file minority views on Resolution 282 from the Foreign Affairs Committee.

The SPEAKER. Is there objection?

There was no objection.

#### LEAVE OF ABSENCE

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent for three days' leave of absence for my colleague [Mr. CONNERY].

The SPEAKER. Is there objection?

There was no objection.

#### GOVERNOR GENERAL ROOSEVELT'S INAUGURAL ADDRESS

Mr. OSIAS. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by printing the inaugural address of the new Governor of the Philippine Islands.

The SPEAKER. Is there objection?

There was no objection.

Mr. OSIAS. Mr. Speaker, on the morning of the 29th of February, 1932, Hon. Theodore Roosevelt, jr., the last American Governor General, reached the Philippines. Shortly after he landed in Manila and after his formal induction to office by Chief Justice Avanceña, Governor General Roosevelt delivered his inaugural address, which evoked the following comment from Senate President Manuel L. Quezon:

I think the inaugural address of Governor Roosevelt will be well received by our people. It is evident that the governor is liberal and progressive. His sympathies and interests are for the average man. He wants to protect the poor and to promote the welfare of the average man. He is for small landholdings. I am thoroughly with him on all these subjects.

The previous action on the part of the House Committee on Insular Affairs and the Senate Committee on Territories and Insular Affairs in reporting out a Philippine independence bill contributed materially toward clearing up the atmosphere in the islands and to the cordial reception accorded the new island chief executive.

Vice Governor George C. Butte introduced Governor General Roosevelt in the following words:

The attention of millions of people, not only in the Philippines but in all parts of the world, is focussed to-day on Manila.

Events of great significance are taking place in the Orient. The rising tide of nationalism in Asia and the acute situation in China have raised fears that the amalgamation of oriental and occidental civilizations can not continue at the same rapid pace without developing heat and perhaps conflict. The Philippine Islands to-day stand "on the top of a huge wave of fate." Their national future is being debated more seriously to-day than ever before. Their national destiny is nearer a solution to-day than it has ever been before.

At this critical juncture, the advent of a new Governor General is an event of supreme importance. Those of us who know Governor Roosevelt personally believe firmly that the President has chosen his man wisely. Many more who have read his splendid record of public service have an equal confidence in the new Governor General. The critical times require of all of us that we shall give him our hearty and loyal cooperation. Enlightened selfishness would require this. But the Philippine people, your excellency, are a warm-hearted, generous people. No appeal to them need be made on the basis of enlightened selfishness. Win their affections, as I am sure you will, by your well-known courtesy, consideration, and love of justice, and you will find that their heart-beat will go in unison with yours. They will hold up your hands and take the same pride in the success of your administration as any of your closest friends.

Governor Roosevelt has done the Philippine people a signal honor in taking his oath of office in Manila instead of in Washington. You have heard his voice for the first time as he spoke the solemn words which invest him with the sacred trust that he came to assume. How appropriate that he should in this way enter into a great covenant with the Philippine people, in the presence of the Almighty, that he will "faithfully discharge the duties" of his office. Your excellency, the Philippine people are quick to notice gracious acts of consideration. You may be sure that the covenant which you have made in their presence will be recognized by them as mutual. They have heard the obligation you have taken and they will help you keep it.

It is now my high privilege and honor to present to the Philippine people the Hon. Theodore Roosevelt, jr.—your new Governor General, and as I verily believe, your friend.

The vice governor was evidently thinking of the favorable action by the Senate and House committees when he stated that the national future of the Philippines "is being debated more seriously to-day than ever before," and that "their national destiny is nearer solution to-day than it has ever been before."

Governor General Roosevelt's inaugural address is as follows:

It is with a profound sense of the responsibility and importance of the tasks that lie before me that I greet you here to-day. We know one another only slightly, but I hope as time passes that the bonds of common service will strengthen between us and that from them will grow an enduring respect and friendship.

Fine words and phrases are easy to coin. Fine deeds are infinitely more difficult of accomplishment. I shall ask you to judge what I may say to-day, therefore, not in terms of literary style but by my acts in the future.

The position of Governor General to which I have been named is one that I consider as honorable as any within the gift of the American people. It is in my conception administrative, and the political relationships between the Philippine Islands and the United States do not come within its scope. These are matters to be decided by the President and the United States Congress, in consultation with the representatives of the Filipino people.

Being administrative, the service I can render you will depend largely on the confidence and comprehension that exists between us. I for my part shall do my best to work with the citizens of the islands in carrying out the constructive policies that they have initiated and are developing.

We are fortunate now in having as head of the Nation a President of exceptionally wide experience. He has as intimate a knowledge of the East, its peoples, and its problems as any other Chief Executive the Nation has had. He knows the Orient, not from having read of it in books or from having passed through it as a tourist, but from having worked there many years and having made many close friends there. You can count on his sympathy and comprehension.

The United States in the past has sent its best to the islands. Distinguished administrators from President Taft to Governor General Davis have labored here and have treasured the memories of their work with you among the proudest recollections of their lives. At their side have worked many other Americans, from distinguished educators and scientists to engineers and accountants. Though it would be idle to say they have been right in every action, for that would not be human, we can say that they have spent themselves freely, with rare judgment and ability, and with no other thought than aiding your citizens. It has been my pleasure to know personally many of these gentlemen. It will be my endeavor to guide myself in such fashion as to live up to the ideal of service to the Filipino people that they have set. Your last Governor General, Mr. Davis, I saw repeatedly after his return to the United States, where we discussed at length policies and plans, in order that there might be no lack of continuity in the constructive work under way in the islands.

For years the Philippine Islands and the Filipino people have interested me greatly. It has been my privilege at various times to meet some of your distinguished citizens; and I have not merely studied the material condition of the islands but also your history and culture. I speak with knowledge, therefore, when I say that I have a great respect for the Filipino people, their achievements, character, and valor. Their character to me is epitomized in the aspirations and unselfish devotion of José Rizal, who combined lofty idealism, rare abilities, and practical patriotism.

You should justly be proud of your record. No part of the civilized globe has seen such progress during the last 30 years as these islands. Where one school flourished 30 years ago, there are hundreds now, and the students have increased proportionately. Where there were but a few roads, many of which were impassable during the rainy season, the islands are now linked with as fine a system of communications as any country in the Tropics. The 300 miles of first-class thoroughfares in 1907 have grown to approximately 4,000 to-day. There are sanitary water systems in great centers where none were before. There are railroads, telephones, telegraph, and a dependable postal service. The young men and women at the insular universities are numbered by the thousands, and Filipinos of ability are making their mark in the higher branches of learning, scientific and theoretical, in the centers of learning all over the world. Other endeavors in health, agriculture, and economics have kept pace. A solid foundation has been laid on which to build the future happiness, both moral and material, of your people.

This has been accomplished in but one way—by teamwork. It is this that I shall strive to attain in my administration. Without it nothing can be done. With it everything is possible. I have had the pleasure of discussing with the members of your delegation in the United States the constructive internal policies that you are developing, and I feel confident that together we can make notable progress toward their realization.

All countries are in their essence the average of their citizens. A small group of brilliant men have never made any land permanently great. The well-being, moral stamina, and education of the rank and file of its citizens are what count most in every country.

There are three foundation stones on which these rest. The first of these is health. Without it there is no progress. A man shaking with fever, coughing from tuberculosis, or weak from lack of proper food and from intestinal parasites can not work or raise a proper family. A little child when undernourished can not avail himself fully of the opportunities offered by the school, and falls the prey to any disease that may come. Therefore, the health service of a nation is all important and must be considered as one of the underlying policies to be developed.

The second is a sound system of laws, administered without fear or favor—laws based upon the rights of man, which deal equal justice to rich and poor. Every member of the community must enjoy the "right to live by no man's leave underneath the law." On such a system of laws administered by righteous judges, who consider neither private interest nor political advantage, is based personal liberty—the most treasured of human possessions. Where such a judicial system is lacking no form of government can achieve its end.

There are many lands throughout the world where the governments care nothing for the welfare of the poor and where the laws are interpreted by fear or favor. There the people have no protection and no personal liberty. There the rich arbitrarily take the poor man's carabao. When he goes to bed at night he never knows what outrage on his family or property may be perpetrated before morning dawns.

The American and Filipino people believe that the poor should be protected. Those autocratic governments do not recognize that the poor have rights. We believe that criticism of the government is the right of any citizen and breeds reform and progress. They clap into prison, exile, or shoot anyone who protests an abuse. Their people have no conception of the personal liberty that is enjoyed by the humblest of the citizens here or in the United States.

A judicial system which guarantees true personal liberty stands with health in its importance to a people.

Third, and as vital as the two former, is education; education not for the few but for the many; education of a type that builds both morally and intellectually. The ideal we are striving to realize has as its basis a school system where all children may have the opportunity for elementary education. That education should include practical or vocational training as well as theoretical instruction. It should be of such a sort as to give to the children, when they leave school, the means whereby they can make for themselves happy, worthwhile lives. It should give them aspirations for better things, and a keen interest in the affairs of their community, not merely in such things as may affect them directly but also in all affairs that touch on the well-being of their fellow citizens. It should be the root from which grows the tree of public opinion, on which all commonwealths depend for their success.

In all of these major policies I know that the Filipino people have made great strides. In all it will be my policy to work with you in every fashion that lies within my power, for I believe that the well-being of the average Filipino depends on them.

Our goal in agriculture and industrial development must be the well-being of the average Filipino. We must foster and protect the small farmer and the little business man, for they are the backbone of a nation.

The measure of strength of a country is not a few great estates but a multitude of prosperous small independent holdings. A hundred little farm owners are far more valuable to a nation than one large plantation owner. I shall back to the limit the endeavors you have undertaken to secure for the little farmer clear title to his land, and to fence him with safeguards so that he may not be robbed thereof. We should plan, in addition, to increase the number of small holdings by pressing your policy of homesteading and by such other means as may be practical.

Through the Department of Agriculture, the Bureau of Commerce, and other governmental organizations, we should continue to devise new means of bringing to the small farmer knowledge and aid. The islands' resources should be developed for the benefit of the Filipino people, and new policies should be judged from this standpoint.

Above all, we should work to make the islands as close to self-sufficient agriculturally as circumstances permit. Gifted by nature with a diverse climate, a fertile soil, and great natural wealth, there is no reason why the islands should not grow the necessities of life for their own people. It is necessary that they should do so in order to form the proper economic basis for what the future holds. Our constant endeavor should be directed toward bringing this to pass.

All the work I have outlined takes money, and the islands, like the rest of the world, find themselves in straitened circumstances financially, due to the economic crisis in which all nations are engulfed. That means that if we are to maintain the necessary government services we must exercise the strictest economy. Expenses that in better times might have been justified can not now be incurred. Above all, we must work for governmental efficiency, for that is the means whereby all nations can make the greatest practical economies. We must press the campaign you have initiated to eliminate inefficiency, duplication, or graft wherever they may be found, in order that the moneys saved thereby may be expended for the benefit of the average Filipino. Let us work together to make the Filipino government a model of efficiency for the rest of the world.

Important as material well-being is, it is not all, for things of the spirit are as important as things of the body. "Where there is no vision the people perish." At the same time that we are building economically we should develop and foster the cultural

side. The Philippine Islands have a culture, deep rooted in the past, a culture that springs from the songs and sayings of the people, as do all true cultures. It has flowered in the philosophical writings and poems of Rizal, in the paintings of Luna and Hidalgo, the statues of Tolentino, the music of countless singers and composers, and the achievements in different branches of learning of many Filipino men and women. It finds its natural center around the universities in the islands. It is a distinctive culture, but broad as well, assimilating, as all true cultures should, what is best of the world—for genius knows no national boundary lines.

To me the Philippines of the future are an inspiring picture. They can be and should be a great center in tropical Asia, a center from which the surrounding countries can draw example and aid. I have spoken of health. Tropical diseases and health problems have not been studied as thoroughly as those of the colder climates. There is need that they should be. Here in the islands is already an excellent health service. It should grow and expand in the future until it served not merely the islands but by example the neighboring countries as well. Here might well be the recognized Asiatic school of tropical medicine to which young men from other parts of the Orient world come to study, and which in turn sends out its trained professors to teach other nations.

The same should hold true in agriculture, which is the major industry of the hotter climates. The Philippine Islands should be the Asiatic center of scientific tropical agriculture, where methods, plants, and diseases are studied, and whose experts are recognized the world over.

The advance of a people is indicated by the position that women hold in the community. The islands are notable illustration of this truth. It is a splendid augury for the future to see the considerable part the women of the Philippines play in community affairs and social relationship.

This has brought its logical result—social-welfare work. History shows that this necessary part of community endeavor is generally attributable to the efforts of women. The government can do much, but the government itself can not do all. An important factor in building up any country is the action of its citizens to one another in their private capacity, their willingness to help one another. The individual who says he is not his brother's keeper and remains callously indifferent to the hardships and sufferings of his neighbors is unworthy of citizenship. The Filipino people are known for their kind-heartedness and hospitality and have undertaken successfully much work of this nature. There is room for still further effort, for welfare work is capable of infinite expansion. Through private organizations of the citizens of the islands we should strive to reach into every little home and better the conditions of life of mother and child.

My success in aiding you in the development of these policies will depend largely on the mutual understanding we can develop. I shall seek at all times the frank expression of constructive opinion and suggestions of citizens. I am confident I shall obtain it. I trust I may obtain friendship as well.

At this moment it would be clearly inopportune for me to outline to you in detail any plans or thoughts that are in my mind. Though I have talked with many people and have read many books on conditions here, I have not seen those conditions myself, and I believe personal inspection is necessary to form sound conclusions. My plan is to start at once to familiarize myself with the islands and the problems. When that is done, and not until it is done, will I attempt to deal specifically with problems.

This is a most solemn moment in my life. Not only have I always had an abiding interest in the Filipino people, but the same held true of my father. When Governor of New York he wrote to his intimate friend, Senator Lodge, that he did not wish to be a candidate for the Vice Presidency of the United States because his ambition was to be Governor General of the Philippines. I did not take the oath of office in the United States because I wanted to take it here before all of you. The Bible on which I am taking it is the one used by my father when he was sworn in as Governor of New York and afterwards as President of the United States. It is the same that I used to take the oath of office as Governor of Porto Rico. I am not taking this oath to-day merely with my lips.

#### EXTENSION OF REMARKS—REVENUE BILL OF 1932

Mr. HASTINGS. Mr. Speaker, I do not favor the increase proposed in the first-class postal rates from 2 cents to 3 cents on letters. The Postmaster General has, during the past two years, recommended an increase of postage on first-class mail, which includes letters. The gross deficit during the past year, as reported by the Postmaster General, amounts to \$146,066,189.66. None of this is due to loss in carrying first-class mail. The greater part is lost in carrying second-class mail, which includes periodicals and magazines. These have been carried at a loss for a number of years.

My position is that the Postal Service should be self-sustaining and where there is a loss in the carrying of any class of mail, the rates on that particular class should be raised.

Now, with reference to second-class mail, I insert the following newspaper clipping showing the advertising rates of a number of periodicals:

## HIGH ADVERTISING RATES

It is reported that the highest advertising rate of any periodical in the country is charged by the Ladies' Home Journal, which is \$9,500 for a full page. Woman's Home Companion rate is \$9,400; Delineator, \$9,200; Pictorial Review and McCall's Magazine, \$8,800 each; Saturday Evening Post, which has the largest circulation, \$8,000; Collier's, \$5,500; True Story, \$4,500; and Liberty, \$4,250.

I submit that it is not fair to raise the postal rates from 2 to 3 cents on first-class mail, which includes letters, and at the same time permit the publishers of these periodicals to charge large sums for advertising space and then cause an enormous loss to the Government in carrying their publications through the mails. We lose through carrying second-class mail approximately \$97,000,000.

These publishers who receive such high advertising rates cause their magazines to be carried in carload lots to different points throughout the country to points of distribution, thereby depriving the Government of an enormous revenue. I would not be in favor of penalizing the publishers but would require them to pay the cost to the Government of carrying these publications through the mails.

What the subcommittee having the matter in charge should do is to summon the responsible officials of the Post Office Department before it and have these officials indicate what classes of mail are carried through the mails at a loss, and then prepare an amendment raising the rates of postage on the particular classes of mail carried at a loss to the Government so as to make each class self-sustaining. That is just and fair.

The Postmaster General reports a loss during the past fiscal year of \$18,911,474.60 on account of a subsidy to the shipping interests. I do not favor a subsidy to ships, which reduces the postal revenue and then requires first-class postage—letters—to pay an extra cost of 1 cent over and above the cost of carriage.

If the committee would summon before it the officials of the Postal Service and ascertain just what class of mail is carried at a loss to the Government, and then prepare an amendment raising the rates of postage as to these classes of mail, so that sufficient revenue would be raised to pay the cost of carrying these classes of mail, I would be glad to support it.

The amendment proposed by the committee is to raise \$135,000,000 from first-class postage, when it is admitted that first-class postage is self-sustaining and that there is no loss from it, but that it is carried at a profit.

I insist that the people of the country should not pay one cent additional on the carrying of letters through the mail while the Government pays a subsidy to the shipping interests, and I insist that the postage on first-class mail—letters—should not be raised without requiring second-class mail—periodicals and magazines—to pay the cost of carriage.

For these reasons I am unable to support this amendment, and do not believe that an aroused public opinion will finally permit this injustice to be done.

It is argued that the amendment is temporary and expires July 1, 1934. That does not justify the amendment. Of course, the Budget could be balanced in part with funds from revenues raised from those classes of mail carried at a loss, and I insist that should be done. The question is, Where should the burden be placed; on first-class mail carried at a profit, or the other classes carried at a loss to the Government?

## SENATE ENROLLED BILL SIGNED

The SPEAKER announced his signature to an enrolled bill of the Senate of the following title:

S. 3706. An act for the temporary relief of water users on irrigation projects constructed and operated under the reclamation law.

## ORDER OF BUSINESS

Mr. RAINEY. Mr. Speaker, I desire to make a statement. If we finish this bill on Friday next, it is my purpose to ask that when we adjourn on Friday, we adjourn to meet on Monday next. If we do not finish the bill on

Friday, there will be a session on Saturday. I want to state further that the Kunz-Granata election case will be called up on Tuesday next.

## ADJOURNMENT

Mr. CRISP. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 45 minutes p. m.) the House adjourned until to-morrow, Thursday, March 31, 1932, at 12 o'clock noon.

## COMMITTEE HEARINGS

Tentative list of committee hearings scheduled for Thursday, March 31, 1932, as reported to the floor leader by the clerks of the several committees:

## RIVERS AND HARBORS

(10.30 a. m.)

Two Rivers Harbor, Wis.  
Lake Charles Deep Water Channel, La.

## PATENTS

(10 a. m.)

Patent bills (H. R. 10152 up to and including 10157).

## EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

510. A letter from the Secretary of War, transmitting a report dated March 29, 1932, from the Chief of Engineers, United States Army, on the Columbia River and minor tributaries; to the Committee on Rivers and Harbors.

511. A letter from the Secretary of War, transmitting a report dated March 30, 1932, from the Chief of Engineers, United States Army, on White River, Mo. and Ark.; to the Committee on Rivers and Harbors.

## REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of Rule XIII,

Mr. GREEN: Joint Committee on the Disposition of Useless Executive Papers. A report on the disposition of useless papers in the Department of the Interior (Rept. No. 937). Ordered to be printed.

Mr. CROWE: Committee on Immigration and Naturalization. H. R. 10521. A bill to amend an act entitled "An act making it a felony with penalty for certain aliens to enter the United States of America under certain conditions in violation of law," approved March 4, 1929; without amendment (Rept. No. 938). Referred to the House Calendar.

Mr. FISH: Committee on Foreign Affairs. H. J. Res. 282. A joint resolution to propose a multilateral agreement renouncing the sale or export of arms, munitions, or implements of war to any foreign nations; without amendment (Rept. No. 941). Referred to the House Calendar.

Mr. CORNING: Committee on Interstate and Foreign Commerce. H. R. 10775. A bill to extend the times for commencing and completing the construction of a bridge across the Hudson River at or near Catskill, Greene County, N. Y.; with amendment (Rept. No. 942). Referred to the House Calendar.

Mr. LEAVITT: Committee on Indian Affairs. H. R. 8898. A bill authorizing the deferring of collection of construction costs against Indian lands within irrigation projects, and for other purposes; without amendment (Rept. No. 943). Referred to the Committee of the Whole House on the state of the Union.

Mr. LOOFBOUROW: Committee on Indian Affairs. H. R. 208. A bill to authorize transfer of the abandoned Indian-school site and building at Zeba, Mich., to the L'Anse Band of Lake Superior Indians; without amendment (Rept. No. 945). Referred to the Committee of the Whole House on the state of the Union.

Mr. HOWARD: Committee on Indian Affairs. H. R. 10161. A bill amending the act of May 25, 1918, with reference to employing farmers in the Indian Service, and for other purposes; without amendment (Rept. No. 946). Referred to the Committee of the Whole House on the state of the Union.

Mr. CHAVEZ: Committee on Indian Affairs. H. R. 10419. A bill to permit relinquishments and reconveyances of privately owned and State school lands for the benefit of the Indians of the Acoma Pueblo, N. Mex.; without amendment (Rept. No. 947). Referred to the Committee of the Whole House on the state of the Union.

Mr. PEAVEY: Committee on Indian Affairs. H. R. 8637. A bill to authorize the sale, on competitive bids, of unallotted lands on the Lac du Flambeau Indian Reservation, in Wisconsin, not needed for allotment, tribal, or administrative purposes; with amendment (Rept. No. 949). Referred to the Committee of the Whole House on the state of the Union.

Mr. COCHRAN of Missouri: Committee on Expenditures in the Executive Departments. H. R. 10794. A bill to consolidate and coordinate certain governmental activities affecting the civil service of the United States; without amendment (Rept. No. 950). Referred to the Committee of the Whole House on the state of the Union.

Mr. LEAVITT: Committee on Indian Affairs. H. R. 10884. A bill to authorize the Secretary of the Interior to adjust reimbursable debts of Indians and tribes of Indians; with amendment (Rept. No. 951). Referred to the Committee of the Whole House on the state of the Union.

Mr. CHAVEZ: Committee on Indian Affairs. S. 3508. An act to amend section 1 of the act entitled "An act to provide for determining the heirs of deceased Indians, for the disposition and sale of allotments of deceased Indians, for the leasing of allotments, and for other purposes," approved June 25, 1910, as amended; with amendment (Rept. No. 952). Referred to the Committee of the Whole House on the state of the Union.

#### REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of Rule XIII,

Mr. HOPKINS: Committee on War Claims. H. R. 10573. A bill for the relief of Florence M. Humphries; without amendment (Rept. No. 939). Referred to the Committee of the Whole House.

Mr. HARE: Committee on War Claims. H. R. 7780. A bill to confer jurisdiction upon the Court of Claims of the United States to hear, adjudicate, and render judgment upon the claim of Mack Copper Co. against the United States for damage to and cost of restoration of certain real property owned by Mack Copper Co. which was used and occupied by the United States for an Army cantonment or other military purposes; without amendment (Rept. No. 940). Referred to the Committee of the Whole House.

Mr. McSWAIN: Committee on Military Affairs. H. R. 9955. A bill for the relief of Lucius K. Osterhout; without amendment (Rept. No. 944). Referred to the Committee of the Whole House.

Mr. WILLIAMSON: Committee on Indian Affairs. S. 2982. An act for the relief of J. G. Seupelt; without amendment (Rept. No. 948). Referred to the Committee of the Whole House.

#### PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of Rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. JOHNSON of Washington: A bill (H. R. 10975) to provide for exclusion and expulsion of alien international communists; to the Committee on Immigration and Naturalization.

By Mr. SIROVICH: A bill (H. R. 10976) to amend and consolidate the acts respecting copyright and to codify and amend common-law rights of authors in their writings; to the Committee on Patents.

By Mr. THOMASON: A bill (H. R. 10977) authorizing P. D. Anderson, W. B. Johnson, and T. D. McGinnis, their

heirs, legal representatives, and assigns, to construct, maintain, and operate a bridge across the Rio Grande between Presidio, Tex., and Ojinaga, Mexico; to the Committee on Interstate and Foreign Commerce.

By Mr. CRAWL: A bill (H. R. 10978) to make unlawful unfair price competition by chain stores or other persons engaged in trade and commerce; to the Committee on Interstate and Foreign Commerce.

By Mr. JOHNSON of Washington: A bill (H. R. 10979) to provide for exclusion of alien communists and the expulsion of international political communists; to the Committee on Immigration and Naturalization.

By Mr. BACHMANN: A bill (H. R. 10980) granting the consent of Congress to any two or more States to enter into agreements or compacts for cooperative effort and mutual assistance in the regulation of the production of bituminous coal, and for other purposes; to the Committee on the Judiciary.

By Mr. COLTON: A bill (H. R. 10981) to amend the act approved February 7, 1927, entitled "An act to promote the mining of potash on the public domain"; to the Committee on the Public Lands.

By Mr. CARY: A bill (H. R. 10982) authorizing the Commonwealth of Kentucky, by and through the State Highway Commission of Kentucky, or the successors of said commission, to construct, maintain, and operate a toll bridge across the Ohio River at or near Owensboro, and permitting the Commonwealth of Kentucky to act jointly with the State of Indiana in the construction, maintenance, and operation of said bridge; to the Committee on Interstate and Foreign Commerce.

By Mr. McLEOD: Joint resolution (H. J. Res. 348, authorizing appointment of a commission to study the causes and remedy of business cycles and unemployment; to the Committee on the Judiciary.

#### PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BALDRIGE: A bill (H. R. 10983) authorizing Andrew E. Seidelman to bring suit in the district court of the United States for the district of Nebraska, Omaha division, against the United States of America for damages sustained by reason of being injured by an automobile truck owned by the United States; to the Committee on Claims.

By Mr. BLANTON: A bill (H. R. 10984) for the relief of Mollie J. Hill; to the Committee on Pensions.

By Mr. CABLE: A bill (H. R. 10985) granting a pension to Elizabeth Jamison; to the Committee on Invalid Pensions.

By Mr. CAMPBELL of Pennsylvania: A bill (H. R. 10986) granting an increase of pension to Cecilia Negley; to the Committee on Invalid Pensions.

By Mr. CRAWL: A bill (H. R. 10987) granting a pension to Griffin Spencer; to the Committee on Pensions.

Also, a bill (H. R. 10988) for the relief of Sam B. Lewis, to the Committee on Military Affairs.

By Mr. FRENCH: A bill (H. R. 10989) for the relief of Henry F. Cramer; to the Committee on Military Affairs.

By Mr. GILLEN: A bill (H. R. 10990) granting a pension to William Shields; to the Committee on Pensions.

By Mr. HARLAN: A bill (H. R. 10991) granting an increase of pension to Susan A. Bennett; to the Committee on Invalid Pensions.

By Mr. HARTLEY: A bill (H. R. 10992) for the relief of William Dafter; to the Committee on Claims.

By Mr. JENKINS: A bill (H. R. 10993) granting a pension to Harriett A. Litten; to the Committee on Invalid Pensions.

By Mr. KARCH: A bill (H. R. 10994) for the relief of Joseph M. Black; to the Committee on Military Affairs.

Also, a bill (H. R. 10995) for the relief of Wesley Hitch; to the Committee on Naval Affairs.

By Mr. LAMBETH: A bill (H. R. 10996) granting a pension to Addie C. Valley; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10997) for the relief of Agnes Spaugh; to the Committee on Claims.

By Mr. MAJOR: A bill (H. R. 10998) granting an increase of pension to Mary Hillier; to the Committee on Invalid Pensions.

By Mr. MEAD: A bill (H. R. 10999) for the relief of Lieut. Emmet P. Forrestel; to the Committee on Naval Affairs.

By Mr. MONTET: A bill (H. R. 11000) for the relief of Edward Himel; to the Committee on Claims.

By Mr. MOUSER: A bill (H. R. 11001) granting an increase of pension to Elizabeth Bloom; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11002) granting a pension to Linford E. Dinkle; to the Committee on Pensions.

By Mr. OLIVER of New York: A bill (H. R. 11003) for the relief of Arthur Herbert Primrose; to the Committee on Naval Affairs.

By Mr. SMITH of Idaho: A bill (H. R. 11004) granting a pension to John W. Givens; to the Committee on Pensions.

By Mr. STRONG of Kansas: A bill (H. R. 11005) granting an increase of pension to Carrie Arnold; to the Committee on Invalid Pensions.

By Mr. SUMMERS of Washington: A bill (H. R. 11006) granting a pension to George R. Odle; to the Committee on Pensions.

Also, a bill (H. R. 11007) granting an increase of pension to Jacob T. Arrasmith; to the Committee on Pensions.

#### PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

5164. By Mr. ANDREWS of New York: Notification of a referendum of 900 members of the Bar Association of Erie County where 461 voted in favor of repeal of the eighteenth amendment and Volstead Act and 50 against such repeal; to the Committee on the Judiciary.

5165. Also, resolution adopted by the Exchange Club of New Berlin, N. Y., urging support to the House bills 5659 and 1967, and advocating enforcement of section 307 of the tariff act of 1930; to the Committee on Ways and Means.

5166. By Mr. BLANTON: Petition of Ray Post, No. 213, the American Legion, of Coleman, Tex., passed unanimously with 225 members present and voting, presented by A. L. Lockhart, post adjutant, urging Congress to pass legislation requiring immediate payment in cash of the adjusted-compensation certificates to veterans of the World War; to the Committee on Ways and Means.

5167. Also, petition of the honorable commissioners court of Taylor County, Tex., presented by Tom K. Eplen, county judge, and G. B. Tittle, P. A. Diltz, J. R. Trammell, and S. H. McAdams, commissioners, urging Federal regulation of trucks and motor busses engaged in interstate business; to the Committee on Interstate and Foreign Commerce.

5168. Also, petition of the Chamber of Commerce of the city of Abilene, Tex., presented by its president, P. A. Tower, and its secretary-manager, T. N. Carswell, urging Federal regulation of trucks and motor busses engaged in interstate business; to the Committee on Interstate and Foreign Commerce.

5169. By Mr. BOHN: Petition of Arthur Heney Auxiliary, No. 34, United Spanish War Veterans, Alpexa, Mich., supporting the Gasque bill, H. R. 7230, providing uniform pensions to widows of all wars; to the Committee on Pensions.

5170. By Mr. BOLAND: Petition of John Lockwood, of Waymart, Pa., and 20 other citizens of Pennsylvania, protesting against the passage of House bill 8092; to the Committee on the District of Columbia.

5171. By Mr. BOYLAN: Letter from the Central Trades and Labor Council of Greater New York, New York, N. Y., opposing any reduction in salaries of Federal employees; to the Committee on the Civil Service.

5172. Also, letter from the Central Union Label Council, of Greater New York, representing 200,000 trade unionists in Greater New York, stating that at its last meeting they adopted a resolution opposing the enactment of legislation

providing for a reduction in the salaries of Federal employees; to the Committee on the Civil Service.

5173. By Mr. CLAGUE: Petition of F. C. Felix, of Tracy, Minn., organized union railway employee, and 85 others, favoring the passage of pension bill, H. R. 9891, and opposing pension bill, H. R. 10023; to the Committee on Interstate and Foreign Commerce.

5174. Also, petition of Charles R. Hick, of Sanborn, Minn., organized union railway employee, and 14 others, requesting passage of pension bill, H. R. 9891, and opposing pension bill, H. R. 10023; to the Committee on Interstate and Foreign Commerce.

5175. Also, petition of J. J. Klein, of Sleepy Eye, Minn., organized union railway employee, and 105 others, requesting passage of pension bill, H. R. 9891, and opposing pension bill, H. R. 10023; to the Committee on Interstate and Foreign Commerce.

5176. Also, petition of Charles E. Price, of Lake Benton, Minn., organized union railway employee, and others, requesting passage of pension bill, H. R. 9891, and opposing pension bill, H. R. 10023; to the Committee on Interstate and Foreign Commerce.

5177. By Mr. CRAWL: Petition of many members of Tom C. Galbraith Camp and Auxiliary, United Spanish War Veterans of California, urging favorable action on the Gasque pension bill, H. R. 7230, for widows and orphans' pensions; to the Committee on Pensions.

5178. By Mr. CULLEN: Petition of the Exchange Club of New Berlin, N. Y., urging the Congress to support the passage of House bills 5659 and 1967, and to advocate and insist upon the enforcement of the provisions of section 307 of the tariff act of 1930, which became effective January 1, 1932; to the Committee on the Judiciary.

5179. By Mr. ENGLEBRIGHT: Petition of Alice Isaacs and other residents of Redding, Calif., protesting against Senate bill 1202; to the Committee on the District of Columbia.

5180. Also, petition of H. G. Moody and the staff of the Searchlight, Redding, Calif., protesting against compulsory Sunday closing; to the Committee on the District of Columbia.

5181. By Mr. GARBER: Petition of citizens of Laverne, Okla., urging passage of tariff on oil and copper; to the Committee on Ways and Means.

5182. Also, petition of T. L. Wolfe, of Des Moines, urging passage of House bill 4668; to the Committee on Rivers and Harbors.

5183. Also, petition of citizens of Oklahoma City, urging passage of Senate bill 1525 and House bill 4537; to the Committee on the Judiciary.

5184. Also, petition of Frank B. McMillin, of Columbus, Ohio, urging repeal of the recapture clause of the interstate commerce act; to the Committee on Interstate and Foreign Commerce.

5185. Also, petition of citizens of Oklahoma, urging passage of law prohibiting short selling of wheat and other farm products; to the Committee on Agriculture.

5186. Also, petition of Hale V. Davis, of Oklahoma City, urging passage of bill exempting telephone and telegraph lines used in broadcasting from the 10 per cent tax, and placing such lines on the same basis as leased wires used in the collection and dissemination of news by the press; to the Committee on Ways and Means.

5187. Also, petition of citizens of Oklahoma City, urging passage of bill providing for immediate cash payment of adjusted-compensation certificates; to the Committee on Ways and Means.

5188. Also, petition of Fred Newsom, of Glendale, Long Island, protesting against Federal salary reduction; to the Committee on Ways and Means.

5189. Also, petition of citizens of Alfalfa, Okla., urging passage of Senate bills 1197 and 2487 and House bill 7797; to the Committee on Agriculture.

5190. Also, petition of citizens of the United States, urging passage of House bill 9891; to the Committee on Interstate and Foreign Commerce.

5191. Also, petition of citizens of Charleston, urging passage of Crosser bill; to the Committee on Interstate and Foreign Commerce.

5192. Also, petition of C. M. Reed, of Kansas City, favoring effective regulation of motor transportation on public highways, State and interstate, as to rates; to the Committee on Interstate and Foreign Commerce.

5193. Also, petition of citizens of Texas County, Okla., protesting against Sunday observance; to the Committee on the District of Columbia.

5194. Also, petition of Disabled American Veterans, Chapter No. 16, Blackwell, Okla., urging the immediate formation of Senate veterans' committee and hearings on all veterans' legislation; to the Committee on Ways and Means.

5195. By Mr. GRIFFIN: Petition of the Polish National Alliance of the United States of America, memorializing Congress to enact House Joint Resolution 144, directing the President of the United States to proclaim October 11 of each year as General Pulaski's Memorial Day for the observance and commemoration of the death of Brig. Gen. Casimir Pulaski; to the Committee on the Judiciary.

5196. Also, resolution of Central Trades and Labor Council of Greater New York and vicinity, protesting against any reduction in the salaries of Government employees; to the Committee on Expenditures in the Executive Departments.

5197. By Mr. HOOPER: Petition of residents of Vermontville, Mich., and vicinity, protesting against the enactment of Sunday observance bill (S. 1202) or any other compulsory religious measures, such as House bill 8092; to the Committee on the District of Columbia.

5198. By Mr. JAMES: Petition of members of the Cornish Club of Calumet, Mich., favoring tariff on copper; to the Committee on Ways and Means.

5199. Also, telegram from P. J. Verville, secretary Post Office Employees, Hancock, Mich., opposing legislation designed to reduce their salaries; to the Committee on Expenditures in the Executive Departments.

5200. Also, telegram from A. Liverthal, of the Queen City Garage, of Marquette, Mich., opposing reduction in Federal employees' salaries; to the Committee on Expenditures in the Executive Departments.

5201. Also, telegram from T. T. Hurley, of Marquette, Mich., opposing reduction of salaries of Federal employees; to the Committee on Expenditures in the Executive Departments.

5202. Also, telegram from Albert Swanson, undertaker, of Marquette, Mich., opposing reduction of salaries of Federal employees; to the Committee on Expenditures in Executive Department.

5203. Also, petition of Daniel A. Holland, chairman, and James T. Healy, secretary, of the Houghton County (Mich.) Democratic Party for a tariff on copper; to the Committee on Ways and Means.

5204. Also, telegram from A. M. Barnard, of Marquette, Mich., opposing reduction of salaries of Federal employees; to the Committee on Expenditures in Executive Departments.

5205. Also, telegram from J. C. Gerling, of Marquette, Mich., opposing reduction of salaries of Federal employees; to the Committee on Expenditures in the Executive Departments.

5206. Also, telegram from Louis W. Biegler, of Marquette, Mich., opposing reduction of salaries of Federal employees; to the Committee on Expenditures in the Executive Departments.

5207. By Mr. JOHNSON of Washington: Petition of city of Aberdeen, State of Washington, signed by its mayor and city clerk, H. E. Bailey and Victor Lindberg, respectfully praying that the Congress enact the soldiers' bonus; to the Committee on Ways and Means.

5208. By Mr. KENNEDY: Petition of Yorkville Chamber of Commerce, of New York, urging appropriations necessary to maintain the Army, Navy, and training of reserve officers; to the Committee on Appropriations.

5209. Also, petition of Yorkville Chamber of Commerce, of New York, urging support of the 4 per cent beer bill now before Congress; to the Committee on the Judiciary.

5210. Also, petition of Brooklyn Chamber of Commerce, asking Congress to place a tariff on certain goods shipped into this country; to the Committee on Ways and Means.

5211. By Mr. LEWIS: Petition of 59 members of Proctor-Kildow Post, No. 71, American Legion, Oakland, Md., asking for the immediate cash payment of the balance of adjusted-service compensation certificates; to the Committee on Ways and Means.

5212. By Mr. LINDSAY: Petition of the Merchants Association of New York, opposing the Glass bill, S. 4115; to the Committee on Banking and Currency.

5213. Also, petition of James McCreery & Co., New York City, favoring the passage of Baldrige bill, H. R. 7430, and the Andresen bill, H. R. 9971; to the Committee on the Judiciary.

5214. By Mr. LINTHICUM: Petition of John Hummer, of Baltimore, Md., urging passage of House bill 1, soldiers' bonus bill; to the Committee on Ways and Means.

5215. Also, petition of Bernard Melsage, of Baltimore, Md., urging passage of House bill 1, soldiers' bonus bill; to the Committee on Ways and Means.

5216. Also, petition of Adam J. Fisher, of Baltimore, Md., urging passage of House bill 1, soldiers' bonus bill; to the Committee on Ways and Means.

5217. Also, petition of Demetrie Mazuraki, of Baltimore, Md., urging passage of House bill 1, soldiers' bonus bill; to the Committee on Ways and Means.

5218. Also, petition of Dr. F. C. Herndon, of Pikesville, Md., urging passage of House bill 1, soldiers' bonus bill; to the Committee on Ways and Means.

5219. Also, petition of Ileene Herman, of Baltimore, Md., urging passage of House bill 1, soldiers' bonus bill; to the Committee on Ways and Means.

5220. Also, petition of Balster Herman, of Baltimore, Md., urging passage of House bill 1, soldiers' bonus bill; to the Committee on Ways and Means.

5221. Also, petition of Eric J. Schroeder, of Baltimore, Md., urging passage of House bill 1, soldiers' bonus bill; to the Committee on Ways and Means.

5222. Also, petition of George H. McBride, of Baltimore, Md., urging passage of House bill 1, soldiers' bonus bill; to the Committee on Ways and Means.

5223. Also, petition of Terminal Shipping Co., Baltimore, Md., opposing House bill 8821; to the Committee on the Judiciary.

5224. Also, petition of J. H. Gambrill, jr., of Frederick, Md., opposing additional appropriations to Farm Board; to the Committee on Appropriations.

5225. Also, petition of Young & Selden Co., Baltimore, Md., opposing proposed tax on checks; to the Committee on Ways and Means.

5226. Also, petition of the American Legion, Baltimore, Md., urging retention of Post Graduate School, Annapolis, House Joint Resolution 245; to the Committee on Naval Affairs.

5227. Also, petition of Mrs. R. Fortune, of Baltimore, Md., favoring legislation benefiting widows and orphans of World War veterans; to the Committee on Pensions.

5228. Also, petition of Local Union No. 11, National Brotherhood of Operative Potters, Baltimore, Md., urging passage of House bill 5315 and Senate bill 935; to the Committee on the Judiciary.

5229. Also, petition of Hilgartner Marble Co., opposing House bill 5315 and Senate bill 935; to the Committee on the Judiciary.

5230. Also, petition of Schneidereith & Sons, Baltimore, Md., and others, urging passage of House bill 8576; to the Committee on Ways and Means.

5231. Also, petition of Sun Life Insurance Co., Baltimore, Md., urging passage of House bill 9065; to the Committee on the District of Columbia.

5232. Also, petition of Workmen's Sick and Death Benefit Fund, Baltimore, Md., urging passage of House bill 7923; to the Committee on Invalid Pensions.

5233. Also, petition of Property Owners' Division, Real Estate Board; Baltimore Association of Commerce; and Bay Ridge Realty Co., all of Baltimore, Md., urging passage of home loan bank bill; to the Committee on Banking and Currency.

5234. Also, petition of Fidelity & Deposit Co., Baltimore, Md., opposing House bill 8989; to the Committee on Banking and Currency.

5235. Also, petition of Branch No. 4, United National Association Post Office Clerks, Baltimore, Md., opposing suspension of automatic promotions, Post Office appropriation bill; to the Committee on Appropriations.

5236. Also, petition of Moore & McCormack Co. (Inc.), Baltimore, Md., opposing elimination of sea service bureau in Shipping Board appropriation; to the Committee on Appropriations.

5237. Also, petition of Oriole Branch, No. 176, National Association of Letter Carriers, Baltimore, Md., and others, opposing reduction of salaries of Government employees; to the Committee on Ways and Means.

5238. Also, petition of Maryland Farm Bureau Federation, Baltimore, Md., favoring maintenance of present appropriation to Farm Board; to the Committee on Agriculture.

5239. By Mr. RAINEY: Petition of Clyde Lawrence and 28 other citizens of southern Illinois, requesting that Government expenses be cut; to the Committee on Appropriations.

5240. Also, petition of C. M. Stanley and 51 other citizens of southern Illinois, requesting that Government expenses be cut; to the Committee on Appropriations.

5241. By Mr. RUDD: Petition of Central Union Label Council of the Greater New York, opposing any reduction of the Federal employees' salaries; to the Committee on Expenditures in the Executive Departments.

5242. By Mr. TARVER: Petition of a number of ex-service men of Gordon County, Ga., asking the immediate payment of the remainder of the adjusted-service certificates of World War veterans; to the Committee on Ways and Means.

5243. By Mr. RUDD: Petition of Central Trades and Labor Council of Greater New York and vicinity, opposing any reduction in the salaries of Federal employees; to the Committee on Expenditures in the Executive Departments.

5244. Also, petition of the Merchants Association of New York, opposing the Glass bill, S. 4115; to the Committee on Banking and Currency.

5245. Also, petition of Burns Bros., New York City, favoring the manufacturers' sales tax; to the Committee on Ways and Means.

5246. By Mr. SMITH of Idaho: Petition signed by 11 residents of Buhl, Idaho, protesting against the enactment of legislation to compel barbers to observe Sunday in the District of Columbia; to the Committee on the District of Columbia.

5247. Also, petition signed by 25 citizens of Twin Falls, Idaho, protesting against the enactment of House bill 8092; to the Committee on the District of Columbia.

## SENATE

THURSDAY, MARCH 31, 1932

(Legislative day of Wednesday, March 23, 1932)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

### THE JOURNAL

Mr. FESS. Mr. President, I ask unanimous consent for the approval of the Journal for the calendar days of Wednesday, March 23; Thursday, March 24; Monday, March 28; Tuesday, March 29; and Wednesday, March 30.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

### CALL OF THE ROLL

Mr. FESS. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Ashurst	Couzens	Jones	Robinson, Ark.
Austin	Dale	Kean	Robinson, Ind.
Bailey	Davis	Kendrick	Schall
Bankhead	Dickinson	Keyes	Sheppard
Barbour	Dill	King	Shipstead
Barkley	Fess	La Follette	Shortridge
Bingham	Fletcher	Lewis	Smoot
Black	Frazier	Logan	Steiwer
Borah	George	Long	Thomas, Idaho
Bratton	Glass	McGill	Thomas, Okla.
Brookhart	Glenn	McKellar	Townsend
Broussard	Goldsborough	McNary	Trammell
Bulkeley	Gore	Morrison	Tydings
Bulow	Hale	Moses	Vandenberg
Byrnes	Harrison	Neely	Wagner
Capper	Hastings	Norbeck	Walcott
Caraway	Hatfield	Norris	Walsh, Mass.
Carey	Hawes	Nye	Walsh, Mont.
Connally	Hayden	Oddie	Watson
Coolidge	Hebert	Patterson	
Copeland	Hull	Pittman	
Costigan	Johnson	Reed	

Mr. FESS. The senior Senator from Rhode Island [Mr. METCALF] is necessarily absent because of illness. I will let this announcement stand for the day.

Mr. GEORGE. My colleague the senior Senator from Georgia [Mr. HARRIS] is still detained from the Senate because of illness. I will let this announcement stand for the day.

Mr. GLASS. I wish to announce that my colleague the senior Senator from Virginia [Mr. SWANSON] is absent in attendance upon the disarmament conference at Geneva.

Mr. BYRNES. I wish to announce that my colleague the senior Senator from South Carolina [Mr. SMITH] is necessarily detained by serious illness in his family.

The VICE PRESIDENT. Eighty-five Senators have answered to their names. A quorum is present.

### EXEMPTION OF FARMERS' COOPERATIVE ORGANIZATIONS FROM TAXES

Mr. NORRIS. Mr. President, some time ago I introduced a resolution, S. Res. 43, which provided for an investigation by the Committee on Agriculture and Forestry of a dispute between the Bureau of Internal Revenue and some cooperative organizations of farmers in regard to exemption from taxes. The resolution was reported favorably to the Senate by the Committee on Agriculture and Forestry. Inasmuch as it contained a provision that \$5,000 be appropriated out of the contingent fund to pay the expense of the investigation, the resolution automatically went to the Committee to Audit and Control the Contingent Expenses of the Senate. That was some time ago.

In order to get the investigation under way I have had a conference with those who are interested in it representing some of the farm organizations. They believe they will probably be able to avoid any expense whatever. Therefore I ask unanimous consent that the Committee to Audit and Control be discharged from the further consideration of the resolution and that the resolution be referred back to the Committee on Agriculture and Forestry. If we find we can get the witnesses here in Washington without expense, that they will appear voluntarily before the committee, then there will be no necessity whatsoever for an appropriation out of the contingent fund.

The VICE PRESIDENT. Is there objection to the request of the Senator from Nebraska? The Chair hears none, and it is so ordered.

### IMPORTATION OF SOVIET PRODUCTS

Mr. ODDIE. Mr. President, on behalf of the representatives of a large number of national, patriotic, civic, labor, were published in the CONGRESSIONAL RECORD of March 15, 1932, to the Hon. Ogden L. Mills, Secretary of the Treasury, a petition protesting against the importation of soviet products under the provisions of section 307 of the tariff act of 1930. The petition and the evidence submitted therewith were published in the CONGRESSIONAL RECORD of March 15.

I now have a letter from Secretary Mills dated March 23, 1932, in confirmation of his verbal answer to the above petition, which I desire to submit for the RECORD.